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Annual Report 1985

June 15, 1987

Enclosed is a copy of the Farm Credit Administration's annual report for 1985. We regret the delay, although the contributing factors—enactment of the Farm Credit Amendments Act of 1985, the resulting reorganization of the agency and failure of some reporting institutions to submit data by requested deadlines—were unavoidable. Production of the 1986 Farm Credit Administration annual report is now in progress and copies will be available upon completion.

Copies are available on request from:

Office of Congressional and Public Affairs
Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102-5090
Phone: (703) 883-4056

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The Year's Activities

During 1985, the Farm Credit Administration's (FCA's) examination and regulatory activities focused on the rapidly deteriorating financial condition of the Farm Credit System's (System's) lending institutions. As the year began, four Production Credit Associations (PCAs) in the Spokane Farm Credit District, voluntarily liquidated, bringing the total number of liquidating PCAs to 11. Within a month, FCA approved an interim loss-sharing agreement between the Federal Intermediate Credit Bank (FICB) of Spokane and the other 36 Farm Credit System banks. By summer, the FICB of Omaha, with even heavier operating losses than the Spokane FICB, required financial assistance from other System banks.

One of the steps taken by the agency to deal with the System's continuing financial problems was to require System institutions to identify known and potential loan losses and properly establish allowances for loan losses in accordance with generally accepted accounting principles (GAAP). Although FCA regulations required GAAP accounting for all System institutions, System earnings were not adequate to provide for a GAAP allowance for losses. This was due, in part, to the rapidly declining loan volume and earnings reflective of deterioration in the agricultural economy. The emphasis toward GAAP-based allowances for loan losses contributed to the System's 1985 operating loss, because a significant amount of earnings was required to establish a proper loan loss reserve.

Another step taken by FCA was to focus its limited staff of examiners on parts of the System facing the greatest financial stress. To accomplish this, the agency sought a change in regulations that reduced the frequency of Federal Land Bank Association (FLBA) examinations from every 18 months to every 36 months. The regulation change allowed FCA to concentrate its resources where increased credit risk was perceived—on the PCAs, FICBs and the Federal Land Banks (FLBs).

Concentrating FCA examiners' work allowed the agency to conduct a major financial viability study of each PCA, FICB and FLB to assess the severity of the System's current financial condition and its ability to withstand additional stress over the next three

years and to develop recommendations to deal with anticipated conditions. By early spring, the "Special Examination of Financial Stress in the Farm Credit System" was completed. The report became the catalyst for most of the year's activities including legislation—the Farm Credit Amendments Act of 1985—which restructured the agency and, for the first time, provided regulatory enforcement powers similar to those of other federal financial regulators.

Highlights of Federal Farm Credit Board Actions

Among the Federal Farm Credit Board's responsibilities as the policymaking body for the Farm Credit Administration is the authority to approve rules and regulations necessary for carrying out the Farm Credit Act of 1971, as amended. During 1985, the Federal Board approved final regulations amending existing regulations concerning: amendments to association charters and mergers and consolidations; standards of conduct for directors, officers and employees of Farm Credit System institutions; frequency of FCA examinations and audits of Federal Land Bank Associations; liquidation of Farm Credit System banks and associations; Banks for Cooperatives' earnings; inter-System transfer of funds and equities; incorporation of service organizations; minimum requirements for loan participations among System institutions and between System sellers and commercial lenders; and System banks' acquisition and disposition of real and personal property.

During 1985, the Federal Board approved several proposed regulations for publication in the *Federal Register* that were not approved as final rules during the year. The proposed regulations included disclosure to shareholders requirements, accounting and reporting requirements, investment policy requirements for System banks, and enforcement of nondiscrimination on the basis of handicap in programs or activities conducted by the Farm Credit Administration.

Periodically the Federal Board adopts policy statements. Unlike FCA regulations which have the force and effect of law, policy statements express the Federal Board's philosophy on specific subjects and encourage adoption of stated approaches to various issues facing System institutions. In February 1985, the Federal Board adopted

a policy statement on "Farm Credit System Directors" that: described desirable director characteristics; recommended establishment of procedures for nominating and electing directors; recommended development of a continuing, comprehensive orientation and development program for System directors; recommended the boards of directors of the System's service organizations be comprised of chief executive officers of the banks or their representatives; and outlined areas of conflict of interest that directors should avoid.

Also in February 1985, the Federal Board adopted a resolution for dealing with stress in agriculture that directed the Governor to develop, in cooperation with industry representatives, specific proposals to deal with current and intermediate term agricultural problems of farmers and their lending institutions. The resolution also directed the Governor to work with Administration leadership, Congress and other organizations and to offer Congress FCA's assistance in developing appropriate remedies.

After reviewing results of the "Special Examination of Financial Stress in the Farm Credit System," the Federal Board in June 1985 adopted a "Statement of Concern." This document stated that the System should be given the opportunity to deal with its financial problems. It also strongly urged System directors to deal quickly and aggressively with pressing System issues. However, the statement also directed the Governor to be prepared to deal with the current financial situation if the System failed to act.

In August 1985, the Federal Board adopted a resolution that directed the Governor to establish a legal basis for FCA to require Systemwide loss sharing. The Governor also was directed to prepare regulations setting

forth standards and procedures authorizing FCA to direct a transfer of funds and equities among System institutions.

A resolution on "Financial Stress" was adopted by the Federal Board at its September 1985 meeting. The resolution: recognized the continued deterioration of the System's financial condition; concurred that the point was rapidly approaching when assistance from the federal government would be required to continue to meet the credit needs of agriculture; and directed the Governor to proceed with discussions with Congress and the Administration to develop an acceptable legislative vehicle for assistance.

In other actions, the Federal Board: approved a new salary range for the chief executive officer of the Federal Farm Credit Banks Funding Corporation; approved a modification to the FCA assessment formula; approved a salary range for the Farm Credit Corporation of America's chief executive officer; approved a fiscal year 1987 FCA budget of \$22,127,698, which represented a 4.5 percent increase over the 1986 proposed budget; voted to make no changes in salary ranges for chief executive officers of System institutions; ratified the Governor's appointment to fill an unexpired position on the Farm Credit Board of Spokane; and approved the Governor's appointments of directors-at-large for the Louisville and Texas Farm Credit districts and reappointments of directors-at-large for the Springfield and St. Paul Farm Credit districts.

FCA's Organization

The Farm Credit Administration is the independent federal agency responsible for regulating, supervising and examining the borrower-owned Farm Credit System banks and associations.

Farm Credit Administration

Operating Expenses

Year	FCA Expenses	Increase in FCA Expenses
1980	\$11,288,000	7.0%
1981	\$12,796,000	13.4%
1982	\$14,861,000	16.1%
1983	\$17,356,000	16.8%
1984	\$19,646,000	13.2%
1985	\$19,835,000	1.0%

Originally established as an independent agency by Executive order in May 1933, FCA was transferred to the Department of Agriculture on July 1, 1939. It remained there until the Farm Credit Act of 1953 reestablished it as an independent agency under the Federal Farm Credit Board's direction.

FCA and the institutions it regulates now operate under authorities contained in the Farm Credit Act of 1971, as amended (Public Law 92-181, effective December 10, 1971). FCA does not rely on any federally appropriated funds for its operating expenses; rather, its expenses are borne by the System through assessments upon the 37 Farm Credit Banks.

The Farm Credit Administration consists of the Federal Farm Credit Board, the Governor and his staff. Overall policy direction for FCA's examination, regulation and supervision of the Farm Credit System is set by the 13-member Federal Farm Credit Board. The Federal Board also is responsible for hiring the Governor, who serves as the agency's chief executive officer. The Federal Board is composed of one member from each of the 12 Farm Credit districts appointed by the President and confirmed by the U.S. Senate. Members serve six-year terms and are not eligible for reappointment. Terms are staggered and two members are appointed each year. In making the appointments, the law requires the President to have due regard to a fair representation of the public interest and the welfare of all farmers and to give special consideration to nominees proposed by the System. Through a series of polls conducted by FCA, three nominees are advanced for each vacancy on the Federal Board—one by the district's Federal Land Bank Associations, one by its Production Credit Associations and one by cooperatives holding stock in the district's Bank for Cooperatives (BCs). A thirteenth member is appointed by and serves at the pleasure of the Secretary of Agriculture. The Federal Board serves part-time and meets regularly six times a year with special meetings held as needed.

On December 23, 1985, the President signed the Farm Credit Amendments Act of 1985 (1985 Amendments) into law, which significantly changed the agency by

abolishing the Federal Board and the chief executive officer position of Governor and reorganizing the agency under management of a three-member, full-time, Presidentially-appointed board of directors.

Farm Credit Administration Senior Executive Staff

Donald E. Wilkinson
Governor

Marvin R. Duncan
Senior Deputy Governor

Frederick R. Medero
General Counsel

Larry W. Edwards
Deputy Governor and Chief Examiner
Office of Examination and Supervision

Larry H. Bacon
Deputy Governor
Office of Administration

Federal Farm Credit Board

First Farm Credit District
Maine, New Hampshire, Vermont,
Massachusetts, Rhode Island, Connecticut,
New York, New Jersey

Dwight L. Tripp, Jr.
Auburn, Maine
Term expires March 31, 1985

Second Farm Credit District
Pennsylvania, Delaware, Maryland, Virginia,
West Virginia, District of Columbia, Puerto Rico

William D. Wampler
Harrisonburg, Virginia
Term expires March 31, 1986

Third Farm Credit District
North Carolina, South Carolina, Georgia, Florida

W. Proctor Scarboro
Zebulon, North Carolina
Term expires March 31, 1987

Fourth Farm Credit District
Ohio, Indiana, Kentucky, Tennessee

Leonard R. Fouts
West Point, Indiana
Term expires March 31, 1988

Fifth Farm Credit District

Alabama, Mississippi, Louisiana

Joseph A. Kyser

Greensboro, Alabama

Term expires March 31, 1989

Sixth Farm Credit District

Illinois, Missouri, Arkansas

Crete B. Harvey

Sterling, Illinois

Term expires March 31, 1990

Seventh Farm Credit District

Michigan, Wisconsin, Minnesota, North Dakota

Jewell Haaland

Clarkfield, Minnesota

Term expires March 31, 1985

Eighth Farm Credit District

Iowa, Nebraska, South Dakota, Wyoming

Ralph Raikes

Ashland, Nebraska

Term expires March 31, 1986

Ninth Farm Credit District

Kansas, Oklahoma, Colorado, New Mexico

Ralph Ball

Sterling, Kansas

Term expires March 31, 1987

Tenth Farm Credit District

Texas

Tom H. Carothers

Palestine, Texas

Term expires March 31, 1988

Eleventh Farm Credit District

California, Nevada, Utah, Arizona, Hawaii

Paul I. Enns

Bakersfield, California

Term expires March 31, 1989

Twelfth Farm Credit District

Washington, Oregon, Montana, Idaho, Alaska

Melvin A. Ensley

Colfax, Washington

Term expires March 31, 1990

Representing the Secretary of Agriculture**George Steele**

West Chester, Pennsylvania

Appointed April 10, 1981

Officers**William D. Wampler**

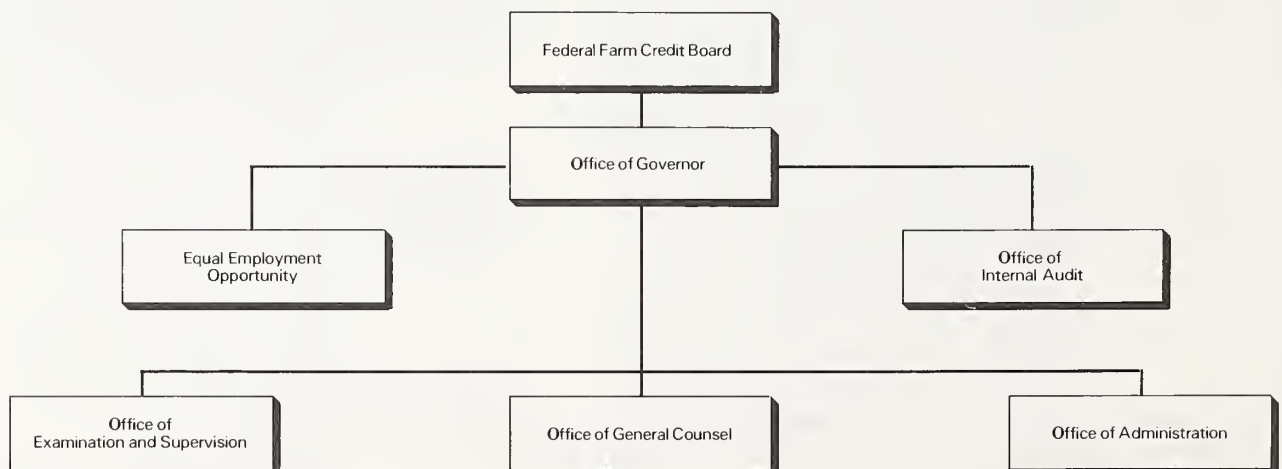
Chairman

Ralph Raikes

Vice Chairman

Kenneth J. Auberger

Secretary

Farm Credit Administration Organization Chart

Supervisory and Examination Activities

The Farm Credit Administration is responsible for ensuring that Farm Credit System institutions follow safe and sound business practices and comply with applicable laws and regulations. The agency accomplishes this through its examination, supervision and regulation of System institutions. Based on these examinations and other monitoring activities, FCA rates each System lending institution according to the agency's level of concern (high, medium or low) for the institution's operating safety, soundness, compliance with FCA regulations and ability to address and correct noted deficiencies in operations. To effectively use its limited examination staff, the agency employs a concept it calls "differential examination and supervision," which means greater agency examination and supervisory concentration is applied to "high concern" System institutions, so that critical operating deficiencies are identified and corrected in a timely manner. During 1985, the agency conducted 500 examinations of System institutions.

After an examination has been completed, FCA representatives meet with the bank's board of directors and management to present examination findings, agency concerns

and considerations for board action. When operational deficiencies are found, FCA requires the board to establish plans to ensure adequate corrective measures are taken. Through regular supervisory contacts, the agency monitors the institution's progress in correcting its deficiencies which is documented in status reports. As a result of examinations and supervisory assessments of managerial abilities conducted during 1985, 23 banks were considered "high" concern compared to 18 in 1984 and 7 in 1983.

Institution	Number of Examinations
Federal Land Banks	15*
Federal Land Bank Associations	140
Federal Intermediate Credit Banks	15*
Production Credit Associations	309
Banks for Cooperatives	16*
Federal Farm Credit Banks Funding Corporation ¹	1
Farm Credit Leasing Services Corporation ¹	1
Others (Including National Data Processing Center and Offices of Joint Services in Farm Credit Banks)	3
National Cooperative Bank ²	1
Consumer Cooperative Development Corporation ²	1

*Some banks were examined more than once during 1985.

¹Denotes nonlending service corporations that are a part of the Farm Credit System.

²Denotes non-System entity examined by FCA at the request of Congress.

Concern Level by Primary System Institution

	Low			Medium			High		
	1985	1984	1983	1985	1984	1983	1985	1984	1983
FLBs	2	4	7	2	3	5	8	5	0
FICBs	2	2	3	2	2	5	8	8	4
BCs	2	3	5	4	5	5	7	5	3
Total	6	9	15	8	10	15	23	18	7



FCS Association Mergers, Consolidations and Liquidations

Among the remedies available to deal with financially troubled Farm Credit System institutions are merger, consolidation, loss-sharing agreement activation, financial assistance from other similar institutions and, when no other viable alternative is available, either voluntary or involuntary liquidation. The action taken depends on the institution's probable future financial and operational viability, the degree of future financial risk to stockholders, the strength of other similar institutions, and the effect other action will have on availability and quality of credit services to creditworthy borrowers in the territory.

During 1985, the Farm Credit Administration approved eight Federal Land Bank

Association mergers and eight FLBA name changes. As a result of the eight mergers, which included a districtwide merger of 39 associations in the Spokane Farm Credit District, the number of FLBAs nationwide was reduced by 49 to 388 by yearend. Also during 1985, the agency approved 10 Production Credit Association mergers, four voluntary liquidations and six name changes. The mergers, which included districtwide mergers in the Jackson and Spokane Farm Credit districts, and liquidations reduced the number of PCAs nationwide by 49 to 315 by yearend. Although some mergers were prompted by financial difficulties, others were done to improve efficiency and service to borrowers or to realign territorial boundaries.

FLBA Charter Changes January 1, 1985, through December 31, 1985

Number of Associations	Effective Date	State & District	Associations Involved
437	1/1/85	Texas Texas District	FLBA of Kaufman-Canton merged into FLBA of Sulphur Springs; name changed to Sabine River FLBA of Sulphur Springs.
437	2/1/85	Washington Spokane District	FLBA of Puyallup changed named to FLBA of the Puyallup Valley.
434	5/1/85	South Carolina Columbia District	FLBAs of Anderson, Batesburg and Rock Hill merged into FLBA of Spartansburg; name changed to Palmetto FLBA.
433	7/1/85	Texas Texas District	FLBA of Robstown merged into South Texas FLBA at Kenedy; name changed to FLBA of South Texas at Kenedy.
432	7/1/85	North Dakota St. Paul District	FLBA of Williston merged into FLBA of Minot; name changed to FLBA of Northwest North Dakota.
431	7/1/85	Michigan St. Paul District	FLBA of Clare merged into FLBA of Bay City; name changed to FLBA of North Central Michigan and association relocated to Midland, Michigan.
429	10/1/85	Minnesota and North Dakota St. Paul District	FLBA of Crookston (Minn.) and FLBA of Devils Lake (N.D.) merged into FLBA of Grank Forks (N.D.). Simultaneously, Norman County transferred from FLBA of Crookston to FLBA of Detroit Lakes (Minn.); Pierce, Benson, Wells, Eddy and Foster counties transferred from FLBA of Devils Lake to FLBA of Northwest North Dakota.
390	10/1/85	Alaska, Idaho, Montana, Oregon and Washington Spokane District	Districtwide merger of all 39 FLBAs into the FLBA of Spokane (Wash.) as the continuing association.

FLBA Charter Changes
January 1, 1985, through December 31, 1985

Number of Associations	Effective Date	State & District	Associations Involved
388	12/1/85	Minnesota St. Paul District	FLBA of Fergus Falls and FLBA of Detroit Lakes merged into FLBA of Morris; name changed and office relocated to FLBA of West Central Minnesota in Moorhead.
388	12/1/85	Washington Spokane District	FLBA of Spokane changed name to Interstate FLBA.

PCA Charter Changes
January 1, 1985, through December 31, 1985

Number of Associations	Effective Date	State & District	Associations Involved
364	1/1/85	Wisconsin St. Paul District	Baraboo PCA merged into Sparta PCA; name changed to West Central Wisconsin PCA.
363	1/1/85	Iowa Omaha District	Southeast Iowa PCA merged into Eastern Iowa PCA.
362	1/6/85	Washington Spokane District	Western Washington PCA liquidated; territory taken over by Northwest Livestock PCA (aquatic loans) and Central Washington PCA (agricultural loans).
361	1/6/85	Montana Spokane District	Milk River PCA liquidated; territory taken over by Northeast Montana and Great Falls PCAs.
360	1/16/85	Montana Spokane District	Western Montana PCA liquidated; territory taken over by Bozeman PCA.
359	1/16/85	Montana Spokane District	Glendive PCA liquidated; territory taken over by Northeast Montana and Miles City PCAs.
358	3/1/85	Alabama Jackson District	Bay Minette PCA merged into Wiregrass PCA. Name changed to South Alabama PCA.
356	5/1/85	South Carolina Columbia District	Anderson PCA and Blue Ridge PCA merged into Palmetto PCA; main office relocated to Spartansburg, S.C.
355	7/1/85	Michigan St. Paul District	PCA of Traverse City merged into PCA of Bay City; name changed and office relocated to PCA of North Central Michigan in Midland.
340	9/1/85	Alabama, Louisiana and Mississippi Jackson District	In Alabama, the PCAs of Coosa Valley, Demopolis, Huntsville, Montgomery, Russellville and South Alabama; in Louisiana, the PCAs of Opelousas, Pelican and Tallulah; in Mississippi, the PCAs of Central Mississippi, First Delta, Hattiesburg, Northeast Mississippi, Oxford and Southwest Mississippi all merged into Baton Rouge PCA, which relocated to Jackson, Miss., and changed name to First South PCA.

PCA Charter Changes
January 1, 1985, through December 31, 1985

Number of Associations	Effective Date	State & District	Associations Involved
338	10/1/85	North Dakota and Minnesota St. Paul District	PCA of Grafton (N.D.) and PCA of Thief River Falls (Minn.) merged into PCA of Grand Forks (N.D.).
318	10/1/85	Alaska, Idaho, Montana, Oregon and Washington Spokane District	Districtwide merger of 20 PCAs into Interstate PCA, Spokane, Wash., as the continuing association. Eastern Idaho PCA and Montana Livestock PCA were not party to the merger.
317	10/1/85	Wisconsin St. Paul District	PCA of Lancaster merged into PCA of Dodgeville; name changed and office relocated to PCA of Southwest Wisconsin in Platteville.
315	12/1/85	Minnesota St. Paul District	PCA of Fergus Falls and PCA of Alexandria merged into PCA of Moorhead; name changed to PCA of West Central Minnesota.

Regulations

Between January 1, 1985, and December 31, 1985, a number of changes were made in Farm Credit Administration regulations governing Farm Credit System banks and associations. The following summaries describe new and amended regulations approved by the Federal Farm Credit Board that were published as final rules in the *Federal Register*. The regulations were then codified in Title 12, *Code of Federal Regulations*, Part 600. Following the descriptive summaries of the regulations is a comprehensive list of the affected parts, subparts and sections.

Releasing Information: Testimony and Production of Documents in Legal Proceedings in Which the Farm Credit Administration Is Not a Named Party Part 602, Subpart C, Sections 280 through 289

The regulations set forth the procedures that must be followed by parties seeking production of official FCA documents or testimony concerning official matters for use in legal proceedings in which FCA is not a named party.

Organization: Mergers, Consolidations and Charter Amendments of Associations Part 611, Subpart G, Sections 1120 through 1125

The regulations set out in greater detail the Farm Credit Administration's and the Governor's authority to amend an association charter consistent with Section 2.10 of the Farm Credit Act of 1971, as amended. In addition, procedures for mergers or consolidations are more clearly stated.

Personnel Administration: Standards of Conduct for Directors, Officers, and Employees Part 612, Subpart B, Sections 2130, 2200, 2240, 2250, 2260

These regulations delete or modify several existing regulatory provisions to enable System institutions to exercise greater discretion in administering matters involving their business relationship with their agents consistent with good business practices.

Personnel Administration: Employees—Prohibited Acts Part 612, Subpart B, Section 2150

The revised regulation allows System employees in a district, who are not employed by the Bank for Cooperatives, to serve as directors of cooperatives which borrow from the BC. However, prior approval by the employing institution's board is required.

Organization: Liquidation of Associations Part 611, Subpart I, Sections 1160 through 1168 **Organization: Liquidation of Banks** Part 611, Subpart J, Section 1170 through 1176

The regulations amend the current receivership regulation by incorporating specific provisions contained in FCA orders appointing receivers. The regulations also set forth the powers and duties of receivers, the rights of creditors and stockholders of an institution in liquidation, and the inventory, examination and requirements associated with receiverships.

Examination, Audits and Investigations: Examinations and Audits, Frequency of Examinations and Audits Part 617, Subpart A, Section 7060

The amendment to this regulation changes the frequency of FCA examinations and audits of Federal Land Bank Associations from 18 months to 36 months. The regulation retains the discretion of the Governor to require more frequent examinations and audits as deemed necessary.

Funding and Fiscal Affairs: Distribution of Earnings, Banks for Cooperatives' Earnings Part 615, Subpart L, Section 5370

The amendment to this regulation allows Banks for Cooperatives to increase the percentage of net savings, derived from business done with or for patrons, that may be maintained in an unallocated surplus or unallocated reserve account. The increase is from 10 to 50 percent.

Organization: Service Organizations
Part 611, Subpart I, Section 1150

The amended regulation provides that if one the Farm Credit Banks' service corporations becomes insolvent, the banks' liability is limited to the value of their investment in the corporation.

Loan Policies and Operations:
Loan Participations, General
Part 614, Subpart H, Section 4330

The regulation deletes the prohibition that loan participation agreements cannot contain a provision that would require the seller of a loan participation to repurchase any portion of the loan participation sold. The amended regulation requires instead that any amount subject to a repurchase provision (1) be included in the seller's lending limit for the borrower(s) whose loan is participated and (2) be considered by the selling institution in determining its statutory and regulatory debt-to-capital ratio.

Funding and Fiscal Affairs:
Real and Personal Property
Part 615, Section 5150

The amended regulation eliminates existing FCA prior approval requirements for bank buildings, proposed bank building sites, bank board policies on electronic data processing/word processing programs and bank information processing plans. The amendment establishes guidelines for supervising bank approval of association building-related requests by setting forth criteria for evaluating these requests.

Organization: Rules for Inter-System Fund Transfers, Inter-System Transfer of Funds and Equities
Part 611, Subpart H, Section 1145

The new regulation sets forth standards and procedures for FCA to direct a transfer of funds and equities between Farm Credit System institutions, pursuant to its authority under section 5.18(11) of the Farm Credit Act of 1971, as amended.

Regulations List

Part & Section	Subject	Federal Register Citation	Date	Effective Date
602 Subpart C	Releasing Information Testimony and Production of Documents in Legal Proceedings in Which the Farm Credit Administration Is Not a Named Party	50 F.R. 7330	02-22-85	03-25-85
602.280	General purposes			
602.281	Definitions			
602.282	General policy			
602.283	Request for testimony or production of documents			
602.284	Scope of permissible testimony			
602.285	Manner in which testimony is given			
602.286	Manner in which documents will be produced			
602.287	Fees			
602.288	Responses to demands served on FCA employees			
602.289	Responses to demands served on non-FCA employees or entities			
612 Subpart B	Personnel Administration Standards of Conduct for Directors, Officers, and Employees	50 F.R. 11655	03-25-85	05-03-85
612.2130	Definitions			

Regulations List

Part & Section	Subject	Federal Register Citation	Date	Effective Date
612.2150	Employees—prohibited acts			
612.2200	Soliciting support in election polls for association, district, service organization, or Federal Farm Credit Board membership			
612.2220	Political activity			
612.2240	Gifts or favors			
612.2250	Improper use of official property			
612.2260	Standards of conduct for agents			
617	Examinations, Audits and Investigations	50 F.R. 20091	05-14-85	06-22-85
Subpart A	Examinations and Audits			
617.7060	Frequency of examinations and audits			
611	Organization	50 F.R. 20396	05-16-85	06-24-85
Subpart G	Mergers, Consolidations and Charter Amendments of Associations			
611.1120	General authority			
611.1121	Charter amendment procedures			
611.1122	Requirements for mergers or consolidations			
611.1123	Merger or consolidation agreements			
611.1124	Territorial adjustments			
611.1125	Association articles and bylaws			
615	Funding and Fiscal Affairs	50 F.R. 36868	09-10-85	10-11-85
Subpart L	Distribution of Earnings			
615.5370	Banks for cooperatives' earnings			
611	Organization	50 F.R. 36985	09-11-85	09-11-85
Subpart H	Rules for Inter-System Fund Transfers			
611.1145	Inter-System transfer of funds and equities			
611	Organization	50 F.R. 37985	09-19-85	10-20-85
Subpart J	Liquidation of Associations			
611.1160	Appointment of receiver			
611.1161	Powers and duties of the receiver			
611.1162	Preservation of equity			
611.1163	Notice of stockholders			
611.1164	Creditors' claims			
611.1165	Sale and transfer of loans			
611.1166	Priority of claims			
611.1167	Inventory, examination, audit, and report to stockholders			
611.1168	Final discharge and release of receiver			
Subpart K	Liquidation of Banks			
611.1170	Appointment of receiver			
611.1171	Powers and duties of the receiver			
611.1172	Preservation of equity			
611.1173	Notice to associations, cooperative borrowers, and other financing institutions			

Regulations List

Part & Section	Subject	Federal Register Citation	Date	Effective Date
611.1174	Creditors' claims and priority of claims			
611.1175	Inventory, examination, and audit			
611.1176	Final discharge and release of receiver			
611	Organization	50 F.R. 46417	11-08-85	12-15-85
Subpart I	Service Organizations			
611.1150	Incorporation of service organizations			
614	Loan Policies and Operations	50 F.R. 47043	11-14-85	01-21-86
Subpart H	Loan Participations			
614.4330	General			
615	Funding and Fiscal Affairs	50 F.R. 48553	11-26-85	01-31-86
615.5150	Real and personal property			

During 1985, the Farm Credit Administration was involved in several significant lawsuits challenging regulatory actions taken by FCA in response to the Farm Credit System's deteriorating financial condition. In addition, FCA was named as defendant in numerous suits and countersuits arising from foreclosure actions by Farm Credit System institutions. These suits allege violations of state usury laws, federal and state securities laws, the federal Truth-in-Lending Act and the Racketeer Influenced and Corrupt Organizations Act, as well as breach of contract and libel. These cases attempt to draw FCA into borrower-lender disputes and do not raise significant legal issues for the agency. Also, three cases decided in FCA's favor in 1985 are now before the United States circuit courts of appeal. Lawsuits raising significant legal issues and lawsuits pending before the circuit courts of appeal are summarized below.

Production Credit Association of Northern Ohio, et al. v. FCA, et al.

U.S. District Court for the Northern District of Ohio, Western Division

This suit by the Northern Ohio PCA against the FCA and the Federal Intermediate Credit Bank of Louisville alleges a variety of statutory and constitutional violations and seeks declaratory judgment and injunctive relief on three issues: (1) the Fourth Farm Credit District Merger and Consolidation Plan; (2) the removal or threat of removal of any director or the chief executive officer of the Northern Ohio PCA for other than good cause and specifically for failure to approve the Fourth Farm Credit District Merger and Consolidation Plan; and (3) FCA's Inter-System Transfer of Funds and Equities regulation.

A motion for a temporary restraining order was denied on September 17, 1985. The FCA's motion to dismiss and its opposition to a motion for a preliminary injunction were filed on November 12, 1985, and the FCA is awaiting the court's ruling. On February 17, 1986, the plaintiffs moved to dismiss their complaint against the Federal Intermediate Credit Bank of Louisville due to recent legislation relating to service territories and FCA's removal authority. The plaintiffs' claims relating to the transfer of funds and equities are still outstanding.

Caprock-Plains Federal Land Bank Association, et al. v. FCA, et al.

U.S. District Court for the Northern District of Texas

This suit challenges the FCA's Inter-System Transfer of Funds and Equities regulation, alleging: (1) it is in excess of statutory authority granted FCA under the Farm Credit Act of 1971, as amended; (2) it was adopted in violation of the Administrative Procedures Act; and (3) it deprives plaintiffs of their property without due process and just compensation, in violation of the Fifth Amendment.

The plaintiffs filed a motion for a preliminary injunction on November 16, 1985, and a motion for a temporary restraining order on November 22, 1985. The motion for a temporary restraining order was denied on November 25, 1985. The FCA filed a motion to dismiss and its opposition to the motion for preliminary injunction on December 16, 1985. The plaintiff's motion for preliminary injunction and FCA's motion were briefed and argued at a hearing on February 14, 1986, and the parties are awaiting the court's ruling.

Wehrheim, et al. v. Federal Intermediate Credit Bank of Spokane, et al.

U.S. District Court for Montana, Missoula Division

This is a suit brought by the borrowers/stockholders of four Production Credit Associations in liquidation in the Twelfth Farm Credit District against the FCA, the FICB of Spokane and the four PCAs in liquidation—Milk River PCA, Western Montana PCA, Glendive PCA and Western Washington PCA. The plaintiffs allege they are entitled to the full value of their stock and all allocated equities of their respective PCAs and challenge FCA's authority to liquidate PCAs and stop the retirement of equities of PCAs in liquidation.

The FICB and the PCAs in liquidation filed a motion to dismiss on January 9, 1986. The FCA filed a motion for summary judgment and a motion to dismiss on January 28, 1986. A hearing on the motions has not yet been set.

Donnelly, et al. v. South Omaha Production Credit Association, et al.
U.S. District Court for Nebraska

This suit is brought by stockholders in the South Omaha PCA against the FCA, the Federal Intermediate Credit Bank of Omaha and the South Omaha PCA. It challenges the merger of all PCAs in the Eighth Farm Credit District into a single PCA, alleging inadequate disclosure in violation of FCA regulations, arbitrary and capricious approval of disclosure materials by FCA, an unconstitutional taking of the plaintiffs' stock and breach of fiduciary duties by the PCA's directors. The complaint also challenges the constitutionality of FCA's merger regulation.

The plaintiffs filed a motion for a temporary restraining order and preliminary injunction on November 15, 1985, and a hearing was set for December 16, 1985. However, the court refused to entertain the motion until after the shareholder vote on December 27, 1985, since a negative vote would render the motion moot. FCA filed a motion to dismiss on December 12, 1985, and, in the alternative, a motion for summary judgment. The shareholders of South Omaha PCA voted for the merger, but the plaintiff, who has since died, did not refile the motion. FCA is awaiting the court's ruling on the motion to dismiss.

Holman, et al. v. FCA, et al.
U.S. District Court for the Southern District of Texas,
Houston Division

This suit is brought by stockholders of the Federal Land Bank Associations of the Tenth Farm Credit District against the FCA, the Tenth Farm Credit District Board and the president of the three Farm Credit Banks in the Tenth District. It challenges, on a variety of constitutional and statutory bases, the district board's decision to place the Federal Land Bank, the Federal Intermediate Credit Bank and the Bank for Cooperatives in the Tenth District under joint management. The plaintiffs also allege that representation on the district board should be proportional to the number of shareholders and percentage of total district assets held by the Federal Land Bank Associations, Production Credit Associations and Bank for Cooperatives, and complain that the banks have failed to distribute surplus or issue dividends. In addi-

tion, the complaint seeks injunctive relief against the discharging, demoting or transferring of any employee, officer or representative of the Federal Land Bank of Texas or any Federal Land Bank Association in Texas for any reason other than good cause and the taking or threatening to take any disciplinary action against such persons. A hearing on the defendants' motion to dismiss was held on December 3, 1985, and the FCA is awaiting the court's decision.

Bowling, et al. v. Block, et al.
U.S. Court of Appeals for the Sixth Circuit

This suit was originally brought in the U.S. District Court for the Southern District of Ohio against the Secretary of Agriculture, the FCA, the three Farm Credit Banks of the Fourth Farm Credit District, the Production Credit Association of Columbus and the Federal Land Bank Association of Columbus.

The allegations were not directed at any specific alleged conduct of the FCA or the other federal defendants, but appeared to be based on the alleged failure of all the defendants to ensure that Farm Credit institutions are operated in accordance with federal and state statutory or regulatory provisions. The District Court for the Southern District of Ohio dismissed the suit on February 6, 1985, and plaintiffs appealed to the Sixth Circuit. Oral arguments were heard on January 30, 1986, and the FCA is awaiting the court's decision.

Federal Land Bank of Omaha, et al. v. Gibbs
U.S. District Court of Appeals for the Eighth Circuit

This suit arose as a counterclaim in a foreclosure action by the Federal Land Bank of Omaha and involves claims that the FCA conspired with the FLB of Omaha to deprive plaintiffs of their farm and their civil rights under color of state law, tortiously interfered in the defendants' farming business and engaged in racketeering prohibited under 18 U.S.C. Sections 1961-62. The U.S. District Court for the Southern District of Iowa dismissed the case on December 20, 1985. The plaintiffs have appealed to the Eighth Circuit Court of Appeals.

Eastern Idaho Production Credit Association, et al.
v. FCA, et al.
U.S. Court of Appeals for the Ninth Circuit

This suit against the FCA and the Federal Intermediate Credit Bank of Spokane challenges the chartering of a districtwide PCA to serve territory also served by the plaintiff PCA and seeks to enjoin the removal of the plaintiffs' board members and chief executive officer. The suit also challenges FCA's Inter-System Transfer of Funds and Equities regulation. Judgment was entered in favor of the defendants on December 17, 1985. The plaintiff has appealed to the Ninth Circuit Court of Appeals.



Farm Credit Amendments Act of 1985

The events and problems that resulted in passage of the Farm Credit Amendments Act of 1985 began as the boom years in agricultural lending during the 1970s peaked at the end of the decade and started a backwards slide in the early 1980s—a result of the sharp decline in inflation, decreased farm exports, declining land values, and high real interest rates.

As the Farm Credit System's nonperforming, nonaccrual and loss loans continued to increase, it became evident that the System was under serious financial stress and not only needed to use its collective resources to help itself, but might also require federal financial assistance.

Signed into law on December 23, the Farm Credit Amendments Act of 1985, restructured the Farm Credit Administration. The 1985 Amendments also established a mechanism for transfer of available System resources to provide financial assistance to System institutions and provided the Secretary of the Treasury discretionary authority to invest Congressionally-appropriated funds in the System under certain circumstances.

Under the 1985 Amendments, management of the Farm Credit Administration is vested in a three-member, full-time board of directors appointed by the President of the United States with the advice and consent of the Senate. One board member is designated by the President to serve as chairman for the duration of the member's term. Board members serve staggered six-year terms and cannot be reappointed. However, the two initial members appointed to terms of less than six years and future members appointed to fill unexpired terms of three years or less can be reappointed to a full six-year term. In addition, the law prohibits more than two board members from being members of the same political party. The 1985 Amendments also empowered the board to approve rules and regulations, to provide for the examination and regulation of and reporting by System institutions, and to establish policies for the agency's operations.

In addition to reorganizing FCA, the 1985 Amendments strengthen the agency's regulatory authority by empowering it to take specified enforcement actions to ensure

System institutions operate safely and soundly.

FCA's strengthened enforcement powers are similar to those of other federal financial institution regulators and include the power to:

- initiate cease-and-desist proceedings;
- issue temporary cease-and-desist orders;
- establish financial and operating reporting requirements;
- initiate proceedings to remove a director or officer of a System institution; and
- impose specified civil fines and penalties for certain violations.

In addition, FCA is authorized to prescribe minimum capital levels for System institutions. If a System institution fails to maintain the prescribed minimum capital level, FCA may deem its practices unsafe and unsound.

Other provisions of the 1985 Amendments provide additional rights and protections for System borrowers that include: disclosure of factors affecting loan interest rates; disclosure of forbearance policies; access to documents and information; review of adverse credit decisions; limitations on the sale of acquired properties; and review of nonaccrual loans in light of the 1985 Amendments. Several of these provisions will be implemented through FCA regulations.

Under the 1985 Amendments, the Farm Credit Administration will charter a new Farm Credit System Capital Corporation with broader powers and responsibilities to serve as a mechanism for the System to implement a program of financial and technical assistance to System institutions with financial difficulties. The new Capital Corporation will assume all assets and obligations of the old Capital Corporation and will be initially capitalized through investments by System institutions.

The purpose of the new Capital Corporation is to ensure the continued viability of the System by:

- mobilizing and utilizing available System capital and reserves to assist ailing System institutions;
- purchasing properties from System institutions and the restructuring, collection, administration and disposition of these assets;

- contributing technical assistance and related services to System institutions in connection with administration of their loan portfolios, including restructuring of loans to their borrowers; and
- receiving and administering any federal financial assistance for the System.

In addition to general corporate powers, the 1985 Amendments also enumerate special powers the Capital Corporation will have to carry out its statutory purposes. These include the power to:

- make financial assistance available to System institutions by requiring, according to FCA regulations, other System institutions to purchase stock or obligations of the Capital Corporation;
- upon request of System institutions, purchase loans at fair market value that have been placed in nonaccrual status and assets in the account for other property owned;
- require System institutions to sell loans or assets to the Capital Corporation as a condition of receiving financial assistance;
- refinance, reamortize or otherwise provide debt adjustment assistance on any loan purchased or participated in by the Capital Corporation and to liquidate these loans, if it is determined that the borrower could not reasonably be anticipated to meet debt servicing charges under a restructured loan;
- purchase from associations undergoing liquidation all performing loans not voluntarily purchased by other associations;
- assess System institutions to cover operating expenses, excluding interest costs;
- join System banks in issuing Systemwide obligations, thereby assuming joint and several liability. The Capital Corporation also may assume liability for outstanding Systemwide obligations; and
- authorize the Capital Corporation to issue and sell obligations to the Secretary of the Treasury or FCA under conditions determined by the Secretary or FCA.

The Capital Corporation is governed by a five-member board of directors. Three members are elected by System banks owning stock in the Capital Corporation on a one-bank, one-vote basis. One of the three members is from an institution and a district that is a net contributor to the Capital Corporation; the second is from an institution and a district that is a net recipient; and the third is elected at-large. The remaining two

members, who cannot be borrowers or employees of the System, are appointed by the FCA board chairman. If the U.S. Treasury invests government funds in the Capital Corporation, the board will be expanded to include a sixth director appointed by the Secretary of Agriculture and a seventh member, who cannot come from either the System or the federal government, will be chosen by the other six board members. Board members serve two-year terms and may be reelected or reappointed.

Under the 1985 Amendments, the Secretary of the Treasury is authorized to purchase obligations of the Capital Corporation; however, Congress must appropriate funds before this can occur. Before the Treasury Secretary can release federal funds, the law requires FCA to certify that: the System needs financial assistance; the System has committed its available capital surplus and reserves to System self-help; salaries and benefits of System institution executive officers will be frozen for a prescribed period; and further drain on surplus and reserves would likely jeopardize the System banks' ability to provide credit on reasonable terms.

Farm Credit System Condition

The financial condition of the Farm Credit System deteriorated during 1985, a result primarily of large provisions for loan losses. The System's condition was aggravated further by declining net interest margins and rising noninterest expenses.

For the first time since the Depression, the System absorbed net operating losses totaling \$2.689 billion during 1985. By comparison, the System reported \$373 million in net income for 1984 (see Table 2). The primary cause of the loss was a substantial increase in risk inherent in the System's loan portfolios, which required provisions for loan losses to ensure adequate allowances for loan losses were maintained. The 1985 losses represent a return on assets of (3.35) percent and a return on equity of (16.07) percent. By comparison, the 1984 return on assets was 0.43 percent and the return on equity was 3.17 percent.

Provisions for loan losses recorded by Farm Credit banks and associations totaled \$2.969 billion during 1985 and \$335 million during 1984. Provisions were necessary to maintain adequate allowances for loan losses. The Farm Credit System's allowance for loan losses increased to \$3.190 billion at December 31, 1985, from \$1.326 billion a year earlier (see Table 3). The allowance for loan losses was 4.57 percent of loans outstanding at December 31, 1985, compared with 1.66 percent a year earlier. Net loan chargeoffs recorded during 1985 totaled \$1.105 billion, compared with \$427 million in 1984. Net chargeoffs represented 1.37 percent of average loans outstanding in 1985, compared with 0.53 percent in 1984.

Net interest income recorded by System institutions declined to \$1.295 billion during 1985, from \$1.453 billion in 1984 (see Table 2). Net interest income booked during

1985 represented a net interest margin of 1.72 percent, down from 1.76 percent in 1984. Noninterest expenses other than provisions for losses increased to \$1.015 billion in 1985, compared with \$745 million in 1984 (see Table 3).

The combined capital of System institutions declined to \$8.370 billion during 1985 from \$11.837 billion at December 31, 1984 (see Table 1). The System's debt-to-capital ratio was 8.54:1 at December 31, 1985, up from 6.35:1 a year earlier.

Risk funds, which measure capacity to absorb losses and consist of total capital plus allowances for loan losses, declined to \$11.560 billion during 1985 from \$13.163 billion at December 31, 1984 (see Table 3). Some \$4.969 billion of System risk funds represented borrower stock and participation certificates at December 31, 1985.

System loans outstanding totaled \$69.8 billion at December 31, 1985, down from \$79.906 billion a year earlier. Nonaccrual loans increased to \$5.323 billion at December 31, 1985, from \$1.838 billion at yearend 1984. Other high risk loans totaled \$4.0 billion at December 31, 1985, of which \$1.2 billion were past due 90 days or more.

At December 31, 1985, the System held \$928 million in acquired property, up from \$505 million a year earlier. System securities outstanding at yearend 1985 totaled \$68.9 billion, down from \$72.2 billion on December 31, 1984. (See Table 1)

Combined Key Financial Measures

	1985	1984
Return (Loss) on Average Assets	(3.35)%	0.43%
Return (Loss) on Average Capital	(16.07)%	3.17%
Net Interest Income as a Percentage of Average Earning Assets	1.72 %	1.76%
Net Chargeoffs to Average Loans	1.37 %	0.53%
Allowance for Loan Losses to Loans	4.57 %	1.66%
Capital-to-Assets	10.48 %	13.60%
Debt-to-Capital (:1)	8.54	6.35

Farm Credit System Lending Activity

The Farm Credit System's loan portfolio continued to contract in 1985, reflecting the agricultural sector's general need to reduce its debt position and competitive market and financial forces. At yearend 1985, gross System loans outstanding had declined by \$10.0 billion from yearend 1984 and \$11.6 billion from the peak level of yearend 1983. Gross outstanding loans of \$69.8 billion on December 31, 1985, were at their lowest level since the end of 1980.

Leading the decline in outstanding loans were the Production Credit Associations and the Federal Land Banks. Both lenders experienced continued stress and declining volume in their respective markets. Retrenchment in the System's loan portfolio resulted when many producers paid down their total debt portfolios in an attempt to improve their equity positions. Although most commercial agricultural lenders had decreasing loan portfolios, the System's portfolio contracted at a faster rate than all other lenders. During the year, the System faced increased interest rate competition from commercial banks, large increases in Farmers Home Administration (FmHA) operating lending, and favorable Commodity Credit Corporation (CCC) interest rates, which all applied downward pressure to System outstanding loans.

Federal Land Banks

Although the total amount of loans made by the Federal Land Banks has declined rapidly during the last two years, 1985 marks the first year that the FLBs had a decline in outstanding loans. Outstanding loans totaling \$47.5 billion on December 31, 1985, were \$4.9 billion or 9.3 percent below yearend 1984 loans outstanding, the lowest level since early 1982 (see Table 7). Ten of the 12 Farm Credit districts reported a decline in loans outstanding in 1985, which reflected a nearly nationwide slump in the farm real estate market.

Continuing pressures of nonperforming assets and the potential for significant future losses severely affected the FLBs' financial performance in 1985. For the year, the FLBs net loss was \$2.1 billion and additions to provisions for loan losses totaled \$2.1 billion (see Table 8). Net chargeoffs by the FLBs amounted to \$460.3 million (see Table 6), following chargeoffs of \$90 million in 1984 (see Table 9).

Federal Intermediate Credit Banks

Production Credit Associations are separate legal entities from the 37 Farm Credit Banks and their operations have traditionally been reported separately from the banks' financial statements. However, PCAs' performance have a significant impact on the financial conditions of the Federal Intermediate Credit Banks.

As PCA loan volume rapidly declined in 1985, the FICBs, the primary lenders to PCAs, experienced a similar decline in lending activity. FICB loans outstanding to PCAs declined 19.9 percent to \$12.9 billion on December 31, 1985, down from \$16.1 billion on December 31, 1984. FICB lending to other financing institutions (OFIs) dropped 40.3 percent to \$537 million on December 31, 1985. OFIs typically are affiliates of agricultural commercial banks, which remained in a relatively liquid lending position. (See Table 32)

The FICBs reported a net operating loss of \$89.3 million in 1985 (see Table 14). Of the total FICB loans outstanding at yearend 1985, 37 percent were nonperforming loans. Nearly \$5.1 billion of the \$13.7 billion in FICB loan volume was nonperforming and \$193 million of the nonperforming loans were in nonaccrual status. (See Table 13) The FICBs reported loan losses totaling \$38.6 million during 1985, leaving their combined allowance for loan losses at \$145 million on December 31.

Production Credit Associations

Production Credit Association loans outstanding declined substantially during 1985 to the lowest level in six years. Over the course of the year, the PCA loan portfolio contracted by \$4.0 billion to \$14.4 billion (see Table 16), compared to a \$285 million decrease in all of 1984.

With \$2.3 billion of the PCA loan portfolio in nonperforming status on December 31, 1985, of which \$1.4 billion were classified as high risk loans, the PCAs continued to book large provisions for loan losses in 1985 (see Table 16). The PCAs recorded \$768.8 million in provisions for losses in 1985 compared with \$225 million and \$197 million in 1984 and 1983, respectively. As a result, PCAs reported net losses, which increased from \$10.3 million in 1984 to \$673.1 million at yearend 1985. (See Table 17)

Banks for Cooperatives

Banks for Cooperatives loans outstanding declined 10 percent to \$8.1 billion as of December 31, 1985, from \$9.0 billion on January 1 (see Table 19). Contributing to this reduction in the BC loan portfolio were depressed export markets, slow grain sales by farmers to cooperatives due to low market prices, and highly favorable Commodity Credit Corporation interest rates on commodity loans. Ten of the 12 Farm Credit districts, as well as the Central Bank for Cooperatives, reported a decrease in outstanding loans, led by significant declines in the Omaha, Sacramento, St. Louis and Louisville Farm Credit districts.

Despite declining loan volume, the BCs remained in relatively sound financial health in 1985. The BCs reported net operating income of \$66.3 million and collectively was the only System entity to post a net operating gain for the year (see Table 5). BC chargeoffs were only \$13.8 million (see Table 6) during this period and additions to provisions for loan losses were \$24.5 million (see Table 5), indicating that future chargeoffs should remain low. Nonperforming BC loans totaled \$469 million, or 5.8 percent of their portfolio, of which \$131 million were non-accrual loans (see Table 4).

Farm Credit System Funding

A sharp decline in Farm Credit System lending coupled with adverse publicity on the financial health of the System contributed to the \$3.5 billion paydown of its total debt portfolio in 1985 and resulted in considerably wider spreads on its new obligations.

For the third consecutive year, a larger volume of System bonds matured than were issued in new obligations, causing the System's level of outstanding bonds to decline by \$9.1 billion during 1985. As System financial stress came to the forefront in the second half of 1985 and investors' concern grew over the future of the Farm Credit System and its securities, the banks canceled four scheduled nine-month pricings and two term pricings in the latter part of the year. As a result, the System was faced with a bond portfolio with shorter maturity and began to rely heavily on the discount note market as a source of funding.

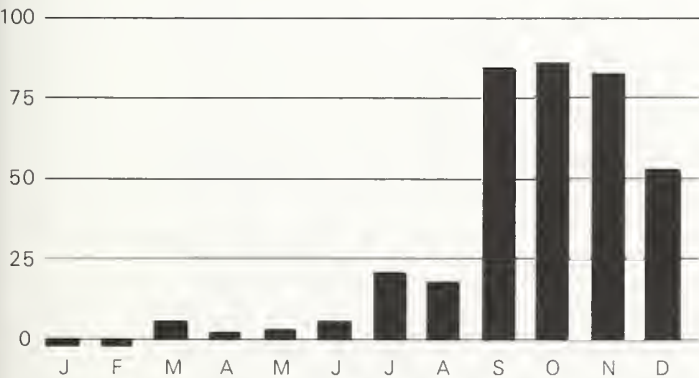
By mid-December 1985, the System's discount notes outstanding totaled \$10.6 billion, more than double the \$4.9 billion outstanding at the beginning of the year (see Table 1). Taking into account this \$5.7 billion increase in discount notes outstanding and the \$9.1 billion paydown of the bond portfolio, the System's net debt paydown was \$3.5 billion in 1985. By shifting so drastically to the shorter term discount notes, the System greatly increased its exposure to changes in

interest rates. Some long-term interest rates reached a six-year low during 1985, which would have been favorable for the System to lock into its bond portfolio. Instead, because of sharply declining FLB loan demand and lack of investor confidence in the System's longer maturities, the System's term bond portfolio was paid down by nearly \$4.1 billion in 1985.

In 1984 and early 1985, the average rate on the System's new issues of short-term bonds tracked very closely to the rate on comparable Treasury securities. In addition, System term bonds were only 15 to 20 basis points higher than Treasury securities, reflecting investor perception that System securities were relatively risk free. When the System went public with its financial problems in September 1985 and the Administration hesitated to offer financial assistance, investors began to question whether System securities carry the "implicit" government guarantee that agency securities such as the System's are viewed to have. As a result, the spreads between System and Treasury securities climbed throughout the last quarter of 1985, peaking at 85 basis points for new short-term bonds and 100 basis points at the October bond pricings.

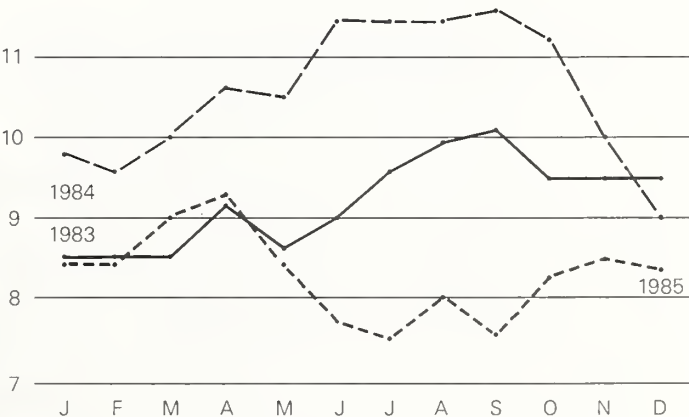
Despite the occurrence of significantly higher spreads, all three Farm Credit bank systems managed to lower the average cost of their bond portfolios during the year. For-

1985 Spreads Between FCS and Treasury
Basis Points



New 6-month bonds, month of pricing.

Rates Paid on Farm Credit Bonds
Percent Interest



New 6-month issues, month of issue.

tunately for the System, Treasury rates averaged considerably lower in all maturities in 1985 and maturing issues were generally more "expensive" than the new obligations.

The average cost of the FLB bond portfolio declined 43 basis points during the year to 11.5 percent, primarily because the FLBs retired \$7.8 billion in term bonds with an average cost of 12.3 percent and replaced a significant portion of this with lower priced short-term bonds and discount notes. The average maturity of the FLB portfolio slipped from 3.3 years at the beginning of the year to just under 3 years in December as the FLBs paid down their bond portfolio by \$2.8 billion and raised \$1.6 billion in new discount note money. The Farm Credit Amendments Act of 1985, enacted in late December, helped restore investor confidence to the point of lowering spreads and allowing the return of longer term maturities among the new issues.

The FICBs had the greatest reduction in funding costs of the three Farm Credit bank systems with average bond portfolio costs lowered by 145 basis points to 9.5 percent. Because PCA lending activity was extremely weak in 1985, the FICBs' funding requirements were likewise diminished. The FICBs' level of bonds outstanding declined from \$16.0 billion at the beginning of the year to \$10.4 billion, but discount note outstandings increased by \$2.2 billion. Because the FICB portfolio primarily consists of short-term securities, the average maturity of their bond portfolio remained constant at 1.07 years.

The BCs paid down their short-term debt at a much faster rate than their term holdings and as a result increased their portfolio's average maturity from 2.1 years to 2.3 years. BCs' average bond costs declined a little slower than the FICBs, from 11.2 percent to 10.55 percent. The BCs historically have held the largest share of discount notes, with \$4.0 billion outstanding in December, up \$515 million from January 1985.

FCS Special Lending Activities: Young, Beginning and Small Farmers

The 1984-85 Findings

During 1984 and 1985, Farm Credit System institutions served many young, beginning and small farmers through lending programs available to all eligible, creditworthy applicants. However, severe economic stress faced a significant number of operators of all ages and sizes during this period, leaving System institutions with substantial numbers of nonperforming loans, losses and loan volume reductions. Consequently, System banks were forced to implement cost restraints which affected all lending activities of the banks, including programs for young, small and beginning farmers. Although program activities were reduced in comparison to previous years because of the economic environment, the System's commitment to serving this group of individuals appeared to change little.

Credit-related programs for young, beginning and small farmers vary from district to district, but commonly include recordkeeping, estate planning and counseling services. In some instances, 4-H and Future Farmers of America (FFA) projects are financed at reduced rates. For many years, System institutions have supported agricultural education and information programs coordinated with public and private organizations, such as state Cooperative Extension Services, land grant universities, 4-H, FFA, young farmer groups and other agricultural organizations.

Services provided by the System to young, beginning and small farmers were enhanced in 1983 when formal policies and procedures were adopted. In 1982, most of the Federal Land Banks and Federal Intermediate Credit Banks developed and distributed coordinated procedures, guidelines and other directives to their respective associations. During 1983, associations used these administrative aids to implement or revise local programs to meet the needs of young, beginning and small farmers.

Exploration of innovative programs for young, beginning and small farmers continued in 1984 and 1985. Several districts met with the Farmers Home Administration to discuss ways of using loan guarantees and interest rate buydowns to assist young, beginning and small farmers. Some developed training programs for association personnel to encourage wider use of FmHA loan

guarantees, while others sought approved lender status with FmHA to improve assistance to these borrowers.

During this period of economic stress, several districts developed programs to ease the interest cost burden on young, beginning and small farmers. Some districts offered low-cost, fixed-rate funding to supplement interest rate buydowns provided by federal and state agencies. One district initiated a differential interest rate for borrowers in this group. Other efforts included formation of stockholder advisory groups to identify special needs, payment of tuition and fees to send young couples to leadership conferences and the American Institute of Cooperation annual meeting, and loan forbearance activities.

National FLB Tabulations

The nationwide compilation of borrower characteristics by net worth categories for all Federal Land Bank loans made during 1984 and 1985 are presented in Tables 47 and 48. For reporting purposes, young farmers are defined as under age 35. Small-farm operators are defined as having either a net worth of less than \$100,000 or agricultural sales of \$40,000 or less.

Of the 19,678 FLB loans made in 1985, 15.4 percent were to borrowers with a net worth of less than \$100,000, and the average loan amount was \$44,245. During 1984, 17.4 percent of the 34,412 loans made were to small-farm operators with the average loan being \$54,285. The average age for borrowers with a small net worth was 37.7 years in 1984 and 38.7 years in 1985. Close to half this group was under 35 years old during both years. The average loan amount for the under 35 group of borrowers was \$44,303 in 1984 and \$43,991 in 1985.

Young farmers represented 19.7 percent of all FLB loans made during 1984 and 20.7 percent of the borrowers for whom the age was reported. During 1985, young farmers accounted for 18.2 percent of all loans made and 18.9 percent of those with age reported. The total amount of loans made to young borrowers was approximately \$541 million, or close to 13.5 percent of the \$4.0 billion lent by FLBs in 1984. In 1985, \$258 million was lent to young farmers, which represents 12.0 percent of the \$2.1 billion lent during

the year. In 1984, the average loan amount to all 6,792 young borrowers was \$79,691. In 1985, the average loan amount for 3,577 young borrowers was \$72,186.

Borrowers with a small net worth are more vulnerable to adverse financial developments. Debt-to-assets ratios declined steadily from the lowest to the highest net worth categories. For example, FLB borrowers with a net worth of more than \$100,000 had average debt-to-assets ratios under 0.4 during both years. The average debt-to-assets ratio for farmers with net worths below \$100,000 was about 0.6 in both years, which many commercial lenders view with high concern. In addition, the average annual debt service requirements for the four subgroups with net worth below \$100,000 exceeded the average net agricultural income, which indicated a critical dependence on nonagricultural income to keep these borrowers solvent.

Most FLB loans are made to individual borrowers. During 1985, 92.3 percent of all FLB loans made were to individuals. The percentage of loans made to the subgroup of farmers with net worth of less than \$100,000 was even greater at 98 percent. FLB loans made to other borrower categories—partnerships, corporations and other—represents 18.8 percent of the total 1985 FLB loan volume. Corporations account for nearly 3.2 percent of the number and 8.1 percent of the FLB loan volume. Partnerships comprise 2.3 percent of the number and 5.8 percent of the volume, while other types of organizations make up the remaining 2.2 percent of number and 4.9 percent of the volume. By comparison, although these borrower categories represent a very small number of small operators, partnerships, corporations and other account for 5.5 percent of the loan volume to small-farm operators.

National PCA Tabulations

A random sample of all Production Credit Association¹ borrowers was used to compile borrower characteristics by net-worth category (see Tables 49, 50, 51 and 52). In the following analysis, young farmers are defined as under age 35 and small-farm operators are defined as having a net worth of less than \$100,000 or agricultural sales of \$40,000 or less. Beginning farmers are divided into two groups and are defined as

having less than five years' farming experience and having less than 10 years' farming experience.

Young farmers represented 20.5 percent of all PCA borrowers in both 1984 and 1985. The average age of PCA borrowers was 46.8 and 46.5 years in 1984 and 1985, respectively. In 1984, 11.2 percent of PCA borrowers reporting years of farming experience indicated that they had less than five years' experience, while 28.8 percent had less than 10 years of farming experience. For 1985, the comparable figures are 8.3 and 23.2 percent, respectively. Roughly a third of PCA borrowers had a net worth under \$100,000 in both 1984 and 1985, while an estimated 1.0 percent of PCA borrowers had a negative net worth in 1984, and 1.5 percent were faced with this situation in 1985. The average age of borrowers with negative net worth was 40 years in 1984 and 37 years in 1985. Among borrowers with a negative net worth in 1984, about 40 percent were under 35, 25 percent had less than five years of farming experience, and 50 percent had less than 10 years' experience in farming. The numbers changed significantly for 1985. Among borrowers with a negative net worth, almost half were under 35, 18 percent had less than five years' experience, and 55 percent had less than 10 years' experience.

The average debt-to-assets ratio of all PCA borrowers in 1984 was 0.43 and 0.44 in 1985. Average debt-to-assets ratios declined steadily as net worth increased. Borrowers with negative net worth had an average of \$2.26 in debt per dollar of assets in 1984 and \$1.25 in 1985.

Borrowers with net worth of \$0 to \$25,000 averaged about 75 cents of debt per dollar of assets during the two-year period, with 1984 being a little below and 1985 a little above this figure. Those with net worth in excess of \$1 million averaged 31 cents in debt per dollar of assets in both years. Overall, nearly half the PCA borrowers had agricultural sales under \$40,000 in 1984 and 1985.

During both 1984 and 1985, about 88 percent of the PCA borrowers were proprietors, 5 percent were in business as partnerships, 4 percent as family corporations, 0.5 percent as nonfamily corporations, and under 0.1 percent were public corporations. The

remaining 2 to 3 percent of PCA borrowers did business as other forms of business organizations, such as joint ventures. These figures are virtually unchanged from what was reported for 1983.

USDA Comparisons

The U.S. Department of Agriculture's 1985 Farm Costs and Returns Survey (FCRS) allows one to examine the young farmers issue from a broader perspective than is possible from reports submitted by Farm Credit System institutions. Information contained in USDA's report, "Financial Characteristics of U.S. Farms, January 1, 1986" published in August 1986, suggests that operators under age 35 tended to be in much greater financial difficulty than their older counterparts. They represented about 15 percent of the surveyed operators, but held nearly 18 percent of the debt and less than 11 percent of the assets. More than one-fifth of the young operators had debt-to-assets ratios of 0.71 or greater; they accounted for 36 percent of all operators in that category.

The equity position of young operators was relatively strong, averaging nearly \$150,000. As a group, they had one of the lowest percentages of farms with an operating loss from farming. The older age groups all had an average of nearly \$100,000 more in net worth, and they all earned substantially higher levels of nonfarm income to help service debt loads and meet their household needs. Close to half the debt owed by young operators was associated with those having the very high (0.71 or greater) debt-to-assets ratios. These operators tended to have cash-flow problems and naturally had little equity remaining.

The USDA survey shows that the Farm Credit System and commercial banks provided somewhat smaller shares of the debt to young operators than they did to the higher age groups. Providing greater shares of debt to young operators than to any other age group were the Farmers Home Administration and other lenders. The latter is likely associated with loans from relatives and land sales contracts arising from seller financing. Among commercial lenders, the PCAs had the least variation in market share across age group categories. PCAs provided 7.4 percent of the debt reported by young

operators, compared with a 7.8 percent share of all operator debt. The FLBs had the widest variation with their share increasing steadily from about 15 percent for young operators to more than 27 percent for the two oldest age groups. The share of debt provided by commercial banks also tended to increase by operator age group, but with a much more moderate range of 25 to 29 percent.

¹The data reported do not include the Springfield Farm Credit District Production Credit Associations, which did not submit data for this report.

Farm Credit System

The Farm Credit System is a nationwide network of cooperatively owned banks and associations that provide credit and closely related services to farmers, ranchers, producers or harvesters of aquatic products, rural homeowners and selected farm-related businesses. The System also provides credit services to agricultural cooperatives and certain other entities. The System is organized into 12 Farm Credit districts and serves all 50 states and Puerto Rico.

Within each district is a Federal Land Bank and Federal Land Bank Associations, a Federal Intermediate Credit Bank and Production Credit Associations, and a Bank for Cooperatives. In addition, a Central Bank for Cooperatives (CBC) is located in Denver, Colorado. Although district banks are separate legal entities, all Farm Credit districts adopted common management in early 1986.

Federal Land Banks

Federal Land Banks make intermediate- and long-term real estate loans to agricultural producers and farm-related businesses through 388 Federal Land Bank Associations, most of which have branch offices. FLB loans have maturities ranging from five to 40 years. Most loans are made on variable rate interest plans, which allow interest rates to be adjusted as changes occur in costs of funds, operating expenses and other factors. Loans can be made in amounts up to 85 percent of the value of the property taken as security or up to 97 percent of the appraised value of the real estate security if guaranteed by a federal or state agency.

Federal Land Banks make loans for purchasing farms, farmland, machinery, equipment and livestock; refinancing existing mortgages and paying other debts; constructing and repairing buildings; improving land; and financing other farm, farm home or farm family needs. Loans also can be made for the purchase or construction of rural homes, for real estate needed for aquatic operations, for processing and marketing facilities and to certain farm-related businesses.

When obtaining a loan, a borrower must purchase stock in the FLBA equal to at least 5 percent of the total borrowed. The purchase price of the stock is generally paid

from the proceeds of the related loan. The association purchases the same amount of stock in the Federal Land Bank.

Banks for Cooperatives

Like the Federal Land Banks, the Banks for Cooperatives are primary lenders, providing loans of all types and leasing services to agricultural, aquatic and public utility cooperatives with headquarters within the banks' respective territories. They also provide international services to agricultural cooperatives involved in international trade. The Central Bank for Cooperatives participates in loans that exceed the lending capacities of the district banks and also handles international transactions of borrowing cooperatives. The BCs also may participate with one another and with commercial banks in filling the credit needs of their borrowers.

To be eligible to borrow from a Bank for Cooperatives, 80 percent of the cooperative's voting control must be in the hands of agricultural or aquatic producers. Federations of cooperatives also are eligible to borrow if they meet the 80 percent voting control requirement. In the case of public utility and certain farm supply cooperatives, the voting control requirement may be lowered to 60 percent. In addition, a cooperative must do at least 50 percent of its business with its members. However, business done with the U.S. government or services and supplies furnished by the cooperative as a public utility are exempt from this requirement.

A cooperative must own at least one share of voting stock in a district BC to obtain a loan. Each district bank also has a program that provides for its capitalization by borrowers on an equitable basis.

Federal Intermediate Credit Banks

Federal Intermediate Credit Banks are somewhat different from the Federal Land Banks and Banks for Cooperatives in that they don't make loans directly to either farmers or cooperatives. Instead, they provide short- and intermediate-term loan funds to 315 Production Credit Associations (PCAs) and other qualified lenders, frequently referred to as other financing institutions serving agricultural producers. PCAs and

OFls are the direct lenders that make operating and intermediate-term loans to agricultural producers and farm-related businesses.

PCAs may participate with the FICBs, with one another, or with commercial banks in making loans. In addition to the 315 main offices, many PCAs have branch offices.

PCAs also make loans to farmers, ranchers, rural homeowners, producers and harvesters of aquatic products and to certain farm-related businesses. Loans also are made to finance processing and marketing activities of farmers, ranchers and commercial fishermen.

Most loans are made for production or operating purposes and mature within a year. However, farm and rural home loans may have terms of up to 10 years and loans to producers or harvesters of aquatic products may be made for up to 15 years. Similar to FLB loans, most PCA loans are made on variable rate interest plans, which allow interest rates to be adjusted as changes occur in costs of funds, operating expenses and other factors.

When borrowers go to a PCA to obtain a loan, they are required to purchase capital stock in the association equal to at least 5 percent of the loan. The purchase price of the stock generally is paid from the proceeds of the loan. Ordinarily, stock is retired either when the balance of the loan equals the amount of stock obligation or pro rata as principal repayments are made; however, borrowers do not have a statutory right to the stock retirement.

PCAs and OFIs that receive loan funds from the FICBs invest in the banks through the purchase of capital stock and participation certificates. PCAs and OFIs also receive capital stock and participation certificates as a distribution of bank earnings.

Lending Rates

Lending rates for each Farm Credit bank and association are based on the institution's financial position and operating conditions. In most cases, lending rates are adjusted regularly to reflect the actual cost of funds, which are based on the combined rates of the Farm Credit securities in which the bank

is participating at the time. Because Farm Credit banks and associations are cooperative institutions, earnings above the level necessary to ensure financial strength and stability are returned to borrowers as patronage refunds or through reduced interest rates. In some parts of the country, fixed rates are available on certain types of loans where the loan amount is matched with the issue of a particular bond or discount note. The advantage is locking in a set rate, but the borrower is not credited if the cost of funds decreases and rates go down.

Other System Organizations

To provide support and coordination of various services for the nationwide network of Farm Credit banks and associations, the 37 Farm Credit Banks have established several organizations. Owned by the 37 banks and federally chartered by the Farm Credit Administration, these service organizations are: the Farm Credit Corporation of America, the Federal Farm Credit Banks Funding Corporation, the Farm Credit System Capital Corporation and the Farm Credit Leasing Services Corporation.

The Farm Credit Corporation of America is the central policy-making and service organization for the Farm Credit System. Located in Denver, Colorado, it provides national leadership for the Farm Credit banks through Systemwide strategic planning and administering and monitoring uniform credit, financial and information processing and reporting standards. Chartered by the Farm Credit Administration on July 8, 1985, the corporation is owned by the 37 Farm Credit Banks and governed by a 13-member board of directors, one representing each of the 12 Farm Credit District boards and the Central Bank for Cooperatives board.

Access to the nation's money markets is provided by the Federal Farm Credit Banks Funding Corporation in New York City, which manages the sale of Farm Credit securities that fund the Farm Credit banks and associations.

During 1985, the 37 Farm Credit Banks organized the Farm Credit System Capital Corporation to channel and oversee financial assistance to two Federal Intermediate Credit Banks and their related Production Credit Associations that were experiencing

high levels of financial stress. The Farm Credit Amendments Act of 1985 directs the Farm Credit Administration to charter a new Farm Credit System Capital Corporation with broader powers and responsibilities.

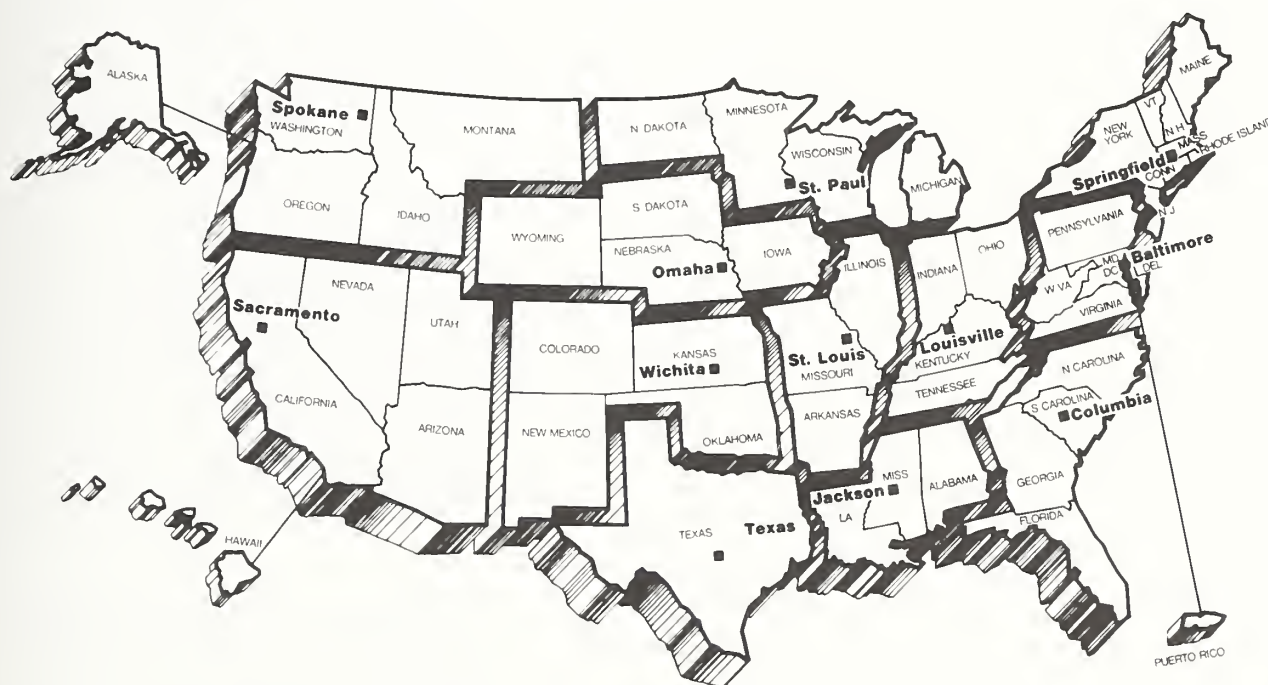
The Farm Credit Banks Leasing Services Corporation in Minneapolis, Minnesota, was established in 1983 as the first step towards providing expanded leasing services for farmers and cooperatives on a Systemwide basis. At the end of 1985, 19 of the 37 Farm Credit Banks were participants in the leasing corporation.

Trade Association

Recognizing the need for a structure to protect and promote the interests of the Farm

Credit System and other cooperative farm lending institutions at both the local and national legislative levels, the Farm Credit banks in 1983 established The Farm Credit Council in Washington, D.C. Regional trade associations called District Farm Credit Councils have been established in each of the 12 Farm Credit districts and are members of The Farm Credit Council in Washington, D.C. The 12 district councils provide the structure for grassroots position development on legislative issues. District council membership is drawn from the Farm Credit banks and associations, other cooperative farm lenders, and the borrower-stockholders of these institutions.

Farm Credit System Districts



Farm Credit Banks Securities

Money to finance loans made by Farm Credit banks and associations comes primarily from the sale of securities, bonds and notes to private investors in the nation's money and capital markets. Although the Farm Credit banks were capitalized initially with government funds, those funds were repaid by 1968. Farm Credit securities are neither obligations of nor guaranteed by the U.S. government or any agency of the government.

To manage their funding operations, the Farm Credit banks maintain the Federal Farm Credit Banks Funding Corporation in New York City. The Funding Corporation issues, markets and handles securities for the 37 Farm Credit Banks through a selling group of approximately 145 investment dealers and dealer banks. Through the selling group, Farm Credit securities are distributed worldwide to all types of investors—commercial banks, individuals, insurance companies, states and municipalities, pension and money-market funds, foreign banks and governments and others.

Farm Credit securities are issued in the form of bonds with maturities of six and nine months, as well as longer terms, and notes, which are sold on a discount basis with maturities of five to 365 days. Bonds and notes are issued only in book-entry form. Bonds with original maturities of 13 months or longer are in denominations of \$1,000. Bonds with original maturities of less than 13 months are in denominations of \$5,000. Discount notes are available in multiples of \$50,000.

Income from interest on Farm Credit securities is exempt from state, municipal and local taxes, but is subject to federal income taxes. The gain from sale or transfer by gift or inheritance of these securities is subject to both federal and state taxes.

Farm Credit banks bonds are publicly offered 16 times a year. Bonds with maturities of six and nine months generally are offered every month, five-year maturities traditionally are offered quarterly, and other term maturities are offered periodically throughout the year. In addition, direct placements of new and existing issues are made to institutional investors as bank needs and market conditions warrant.

The Federal Land Banks, the Federal Intermediate Credit Banks and the Banks for Cooperatives sold their securities separately until 1977 when the Federal Farm Credit Banks Consolidated Systemwide Bond and Systemwide Note were introduced. Initially introduced to complement securities issued by each of the bank groups, Systemwide bonds and notes now are the only publicly issued securities of the Farm Credit banks and are the joint and several obligations of all 37 district banks. However, bonds issued before January 1, 1977, by the FLBs, the FICBs and the BCs will continue to be available in the secondary market until maturity.

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Table 1
Farm Credit System Combined Statement of Condition

(Dollars in Thousands)

As of December 31	1985	1984
Assets		
Loans, Less Allowance for Loan Losses of \$3,189,628 and \$1,326,356 in 1985 and 1984, Respectively	\$66,615,098	\$78,477,007
Cash and Investment Securities (Market Values—\$8,376,234 and \$3,452,357 in 1985 and 1984, Respectively)	8,328,970	3,552,887
Total Earning Assets	74,944,068	82,029,894
Accrued Interest Receivable on Loans	3,070,277	3,683,545
Premises and Equipment, Less Accumulated Depreciation	567,329	568,366
Other Property Owned	927,830	505,118
Other Assets and Deferred Charges	323,001	262,735
Total Assets	\$79,832,505	\$87,049,658
Liabilities and Capital		
Consolidated Systemwide Bonds	\$54,117,218	\$62,071,356
Consolidated Bank and Other Bonds	4,146,783	5,231,095
Consolidated Systemwide Notes	10,587,016	4,890,051
Notes Payable and Other Interest-Bearing Liabilities	334,211	307,449
Accrued Interest Payable	1,936,037	2,408,104
Other Liabilities	341,449	305,000
Total Liabilities	71,462,714	75,213,055
Capital Stock and Participation Certificates	4,969,154	5,639,050
Surplus	3,400,637	6,197,553
Total Capital	8,369,791	11,836,603
Total Liabilities and Capital	\$79,832,505	\$87,049,658

Table 2
Farm Credit System Combined Statement of Operations

(Dollars in Thousands)

For the Year Ended December 31	1985	1984
Interest Income		
Loans	\$ 8,581,024	\$9,516,727
Investment Securities	392,599	339,622
Total Interest Income	8,973,623	9,856,349
Interest Expense		
Consolidated Systemwide Bonds	6,705,418	7,477,169
Consolidated Bank and Other Bonds	388,865	356,577
Consolidated Systemwide Notes	540,961	549,578
Notes Payable and Other Interest-Bearing Liabilities	43,819	20,484
Total Interest Expense	7,679,063	8,403,808
Net Interest Income	1,294,560	1,452,541
Provision for Loan Losses	2,968,756	335,096
Net Interest Income (Loss) After Provision for Loan Losses	(1,674,196)	1,117,445
Other Income	152,477	151,966
Other Expenses		
Salaries and Employee Benefits	534,386	496,262
Occupancy and Equipment Expense	86,530	75,997
Losses on Other Property Owned	284,600	24,843
Miscellaneous	261,552	299,654
Total Other Expenses	1,167,068	896,756
Net Income (Loss)	\$(2,688,787)	\$ 372,655

Table 3
Farm Credit System Five-Year Summary of Selected Combined Financial Data

(Dollars in Millions)

As of December 31	1985	1984	1983	1982	1981
Combined Statement of Condition					
Loans	\$69,805	\$79,803	\$81,878	\$81,383	\$78,720
Allowance for Loan Losses	3,190	1,326	1,418	1,439	1,402
Accrued Interest Receivable on Loans	3,070	3,684	3,736	4,132	3,600
Cash and Investment Securities	8,329	3,553	2,667	3,253	3,614
Consolidated Systemwide Bonds	54,117	62,071	62,850	63,175	58,601
Consolidated Bank and Other Bonds	4,147	5,231	5,182	7,972	11,350
Consolidated Systemwide Notes	10,587	4,890	4,783	1,856	1,420
Total Capital	8,370	11,837	11,753	11,441	10,299
Total Risk Funds (Total Capital Plus Allowance for Loan Losses)	\$11,560	\$13,163	\$13,171	\$12,880	\$11,701
For the Year Ended December 31	1985	1984	1983	1982	1981
Combined Statement of Income					
Net Interest Income	\$ 1,295	\$1,453	\$1,421	\$1,743	\$1,504
Provision for Loan Losses	2,969	335	228	202	231
Other Expenses, Net	1,015	745	646	391	260
Net Income (Loss)	\$(2,689)	\$ 373	\$ 547	\$1,150	\$1,013

Table 4
Farm Credit System Summary of Financial Condition

(Dollars in Millions)

As of December 31, 1985	13 BCs	12 FICBs	12 FLBs	FLBAs	PCAs
Loans—Total Principal	\$ 8,102.1	\$13,727.6	\$47,498.0	N/A	\$14,405.3
Performing	7,632.7	8,664.2	40,106.1	N/A	12,089.8
Restructured	65.4	1,009.6	14.9	N/A	32.6
Other Restructured and Reduced Rate	0.9	62.9	16.8	N/A	20.1
Other High Risk	272.0	3,798.1	3,331.0	N/A	1,319.8
Nonaccrual	131.1	193.1	4,029.2	N/A	943.0
Less: Allowance for Losses	131.9	144.9	2,178.3	(a)	677.8
Net Loans	7,970.2	13,582.7	45,319.7	N/A	13,727.5
Cash and Investments in Securities	2,325.3	2,182.8	3,784.4	\$ 437.2	28.3
Net Acquired Property	11.2	22.6	721.9	N/A	183.8
Other Assets Net of Adjustments	310.9	661.0	2,159.0	2,787.8	2,531.7
Total Assets	10,617.6	16,449.1	51,985.0	3,225.0	16,471.3
Total Liabilities	9,451.5	14,582.1	48,292.1	271.0(a)	13,639.6
Capital Stock and Participation Certificates	833.3	1,402.5	2,592.3	2,592.4	1,539.0
Earned Net Worth	332.8	464.5	1,100.6	361.6	1,292.7
Total Net Worth	\$ 1,166.1	\$ 1,867.0	\$ 3,692.9	\$2,954.0	\$ 2,831.7

(a) FLBAs do not make loans; therefore, the FLBA allowance for losses is included in FLBA liabilities.

N/A Not applicable.

NOTE: Totals may not add due to rounding.

Table 5
Farm Credit System Summary of Income and Expenses

(Dollars in Millions)

For the Year Ended December 31, 1985	13 BCs	12 FICBs	12 FLBs	FLBAs(a)	PCAs
Total Interest Income	\$993.0	\$1,798.1	\$ 5,897.2	\$ 51.9	\$1,912.0
Less: Total Interest Expense	825.5	1,509.4	5,477.7	N/A	1,617.7
Net Interest Income	167.5	288.7	419.5	51.9	294.3
Less: Provision for Loan Losses	24.5	160.3	2,074.4	48.9	768.8
Net Interest Income (Loss) after Provision for Loan Losses	143.0	128.4	(1,654.9)	3.0	(474.4)
Plus: Other Income	6.7	(13.0)	83.6	193.6	246.0
Less: Other Expenses	83.4	204.7	505.8	356.5	452.6
Net Income (Loss)	\$ 66.3	\$ (89.3)	\$(2,077.1)	\$(159.9)	\$ (673.1)

(a) FLBAs report to FCA on a semiannual basis rather than a quarterly basis.

N/A Not applicable.

NOTE: Totals may not add due to rounding.

Table 6
Farm Credit System Summary of Selected Financial Measures

(Dollars in Millions)

For the Year Ended December 31, 1985	13 BCs	12 FICBs	12 FLBs	FLBAs	PCAs
Return on Assets (%)	0.66	(0.50)	(3.85)	(3.85)	(3.79)
Return on Equity (%)	5.53	(4.51)	(38.16)	(4.10)	(21.30)
Net Interest Margin (%)	1.69	1.68	0.84	N/A	2.02
Net Chargeoffs on Loans	\$13.80	\$38.60	\$460.30	\$50.28	\$479.60
As of December 31, 1985					
Capital-to-Assets Ratio	0.11	0.11	0.07	0.92	0.17
Debt-to-Capital Ratio	8.11	7.81	13.08	0.05	4.82

N/A Not applicable.

Table 7
Federal Land Banks Combined Trends in Financial Condition

(Dollars in Millions)

As of	12/31/84	3/31/85	6/30/85	9/30/85	12/31/85
Loans—Total Principal	\$52,375.1	\$52,103.9	\$51,056.4	\$49,254.9	\$47,498.0
Performing	48,390.3	46,769.4	45,614.3	43,178.5	40,106.1
Restructured	6.2	8.1	8.3	10.5	14.9
Other Restructured and Reduced Rate	9.0	42.8	9.8	17.1	16.8
Other High Risk	2,853.8	3,980.5	3,570.1	2,751.5	3,331.0
Nonaccrual	1,115.8	1,303.1	1,853.9	3,297.3	4,029.2
Less: Allowance for Losses	547.1	529.2	512.7	915.6	2,178.3
Net Loans	51,828.0	51,574.7	50,543.7	48,339.3	45,319.7
Cash and Investments in Securities	1,260.3	1,316.9	1,388.3	2,041.4	3,784.4
Net Acquired Property	313.8	400.2	568.9	674.7	721.9
Other Assets Net of Adjustments	2,046.1	1,327.9	1,709.8	2,224.6	2,159.0
Total Assets	55,448.2	54,619.7	54,210.7	53,280.0	51,985.0
Total Liabilities	49,411.1	48,525.7	48,182.2	47,920.3	48,292.1
Capital Stock and Participation Certificates	2,854.1	2,841.1	2,772.8	2,671.1	2,592.3
Earned Net Worth	3,183.0	3,252.9	3,255.7	2,688.6	1,100.6
Total Net Worth	\$ 6,037.1	\$ 6,094.0	\$ 6,028.5	\$ 5,359.7	\$ 3,692.9

NOTE: Totals may not add due to rounding.

Table 8
Federal Land Banks Combined Trends in Income and Expenses

(Dollars in Millions)

For the	Year Ended		Quarter Ended			
	12/31/84	12/31/85	3/31/85	6/30/85	9/30/85	12/31/85
Total Interest Income	\$6,083.9	\$ 5,897.2	\$1,546.7	\$1,526.8	\$1,435.9	\$ 1,387.7
Less: Total Interest Expense	5,616.7	5,477.7	1,392.9	1,364.4	1,339.1	1,381.2
Net Interest Income	467.2	419.5	153.8	162.4	96.8	6.5
Less: Provision for Loan Losses	71.3	2,074.4	22.8	79.9	509.3	1,462.4
Net Interest Income (Loss) after Provision for Loan Losses	395.9	(1,654.9)	131.0	82.5	(412.5)	(1,455.9)
Plus: Other Income	64.3	83.6	13.2	11.8	11.3	66.6
Less: Other Expenses	275.0	505.8	74.3	91.5	158.9	200.3
Net Income (Loss)	\$ 185.2	\$(2,077.1)	\$ 69.9	\$ 2.8	\$ (560.1)	\$(1,589.6)

NOTE: Quarterly data may not add to yearly data due to other income and expense items.

Table 9
Federal Land Banks Combined Trends in Selected Financial Measures

(Dollars in Millions)

For the	Year Ended	Quarter Ended			
	12/31/84	3/31/85	6/30/85	9/30/85	12/31/85
Return on Assets (%)	0.34	0.51	0.02	(4.17)	(12.08)
Return on Equity (%)	3.08	4.61	0.19	(39.35)	(140.49)
Net Interest Margin (%)	0.89	1.18	1.26	0.75	0.05
Net Chargeoffs on Loans	\$90.40	\$40.70	\$98.30	\$140.30	\$181.00
As of	12/31/84	3/31/85	6/30/85	9/30/85	12/31/85
Capital-to-Assets Ratio	0.11	0.11	0.11	0.10	0.07
Debt-to-Capital Ratio	8.18	7.96	7.99	8.94	13.08

Table 10
Federal Land Bank Associations Combined Trends in Financial Condition^a

(Dollars in Millions)

As of	12/31/84	3/31/85	6/30/85	9/30/85	12/31/85
Loans—Total Principal	N/A	N/A	N/A	N/A	N/A
Performing	N/A	N/A	N/A	N/A	N/A
Restructured	N/A	N/A	N/A	N/A	N/A
Other Restructured and Reduced Rate	N/A	N/A	N/A	N/A	N/A
Other High Risk	N/A	N/A	N/A	N/A	N/A
Nonaccrual	N/A	N/A	N/A	N/A	N/A
Less: Allowance for Losses	(b)	N/A	(b)	N/A	N/A
Net Loans	N/A	N/A	N/A	N/A	N/A
Cash and Investments in Securities	\$ 546.0	N/A	\$ 558.7	N/A	\$ 437.2
Net Acquired Property	N/A	N/A	N/A	N/A	N/A
Other Assets Net of Adjustments	3,016.2	N/A	2,943.4	N/A	2,787.8
Total Assets	3,562.2	N/A	3,502.1	N/A	3,225.0
Total Liabilities (b)	183.8	N/A	192.1	N/A	271.0
Capital Stock and Participation Certificates	2,854.2	N/A	2,779.8	N/A	2,592.4
Earned Net Worth	524.2	N/A	530.2	N/A	361.6
Total Net Worth	\$3,378.4	N/A	\$3,310.0	N/A	\$2,954.0

(a) FLBAs report on a semiannual rather than a quarterly basis. Therefore, no data is available for 3/31/85 and 9/30/85.

(b) FLBAs in some districts have liability for losses on FLB loans. Because FLBAs do not make loans, the FLBA allowance for loan losses is included in FLBA liabilities.

N/A Not applicable.

NOTE: Totals may not add due to rounding.

Table 11
Federal Land Bank Associations Combined Trends in Income and Expenses^a

(Dollars in Millions)

For the	Year Ended		6 Months Ended	
	12/31/84	12/31/85	6/30/85	12/31/85
Total Interest Income	\$ 65.4	\$ 51.9	\$ 30.8	\$ 21.3
Less: Total Interest Expense	N/A	N/A	N/A	N/A
Net Interest Income	65.4	51.9	30.8	21.3
Less: Provision for Loan Losses	11.4	48.9	0.4	20.8
Net Interest Income after Provision for Loan Losses	54.0	3.0	30.4	0.5
Plus: Other Income	177.4	193.6	94.1	99.3
Less: Other Expenses	183.8	356.5	118.4	238.0
Net Income (Loss)	\$ 47.6	\$(159.9)	\$ 6.1	\$(138.2)

(a) FLBAs report on a six-month rather than a quarterly basis. Therefore, data reported for the quarters 6/30/85 and 12/31/85 are for the six months ended rather than the quarter ended.

N/A Not applicable.

NOTE: Totals may not add due to rounding.

Table 12
Federal Land Bank Associations Combined Trends in Selected Financial Measures^a

(Dollars in Millions)

For the	Year Ended		6 Months Ended	
	12/31/84	6/30/85	12/31/85	
Return on Assets (%)	1.33	0.34	(6.65)	
Return on Equity (%)	1.41	0.36	(7.11)	
Net Interest Margin (%)	N/A	N/A	N/A	
Net Chargeoffs on Loans	\$19.80	\$5.90	\$44.38	
As of	12/31/84	6/30/85	12/31/85	
Capital-to-Assets Ratio	0.95	0.95	0.92	
Debt-to-Capital Ratio	0.04	0.06	0.05	

(a) FLBAs report on a semiannual rather than a quarterly basis. Therefore, data is not available for 3/31/85 and 9/30/85. Also, ratios for 6/30/85 and 12/31/85 are at and for the six months ended.

N/A Not applicable.

Table 13
Federal Intermediate Credit Banks Combined Trends in Financial Condition

(Dollars in Millions)

As of	12/31/84	3/31/85	6/30/85	9/30/85	12/31/85
Loans—Total Principal	\$17,274.3	\$16,026.5	\$16,209.8	\$15,733.2	\$13,727.6
Performing	14,827.3	13,215.7	12,373.4	11,749.6	8,664.2
Restructured	31.1	35.1	38.5	612.5	1,009.6
Other Restructured and Reduced Rate	0.0	260.5	299.5	0.0	62.6
Other High Risk	2,135.0	2,253.9	3,362.3	3,266.4	3,798.1
Nonaccrual	280.9	246.8	139.8	104.7	193.1
Less: Allowance for Losses	29.3	32.1	27.8	51.0	144.9
Net Loans	17,245.0	15,979.9	16,185.7	15,682.2	13,582.7
Cash and Investments in Securities	1,328.1	1,254.4	1,296.9	1,733.0	2,182.8
Net Acquired Property	3.5	3.0	4.6	13.2	22.6
Other Assets Net of Adjustments	784.6	687.1	689.4	603.9	661.0
Total Assets	19,361.2	17,924.4	18,176.6	18,032.3	16,449.1
Total Liabilities	17,362.6	15,894.3	16,149.9	16,056.6	14,582.1
Capital Stock and Participation Certificates	1,425.4	1,424.4	1,425.7	1,412.6	1,402.5
Earned Net Worth	573.2	605.7	601.0	563.1	464.5
Total Net Worth	\$ 1,998.6	\$ 2,030.1	\$ 2,026.7	\$ 1,975.7	\$ 1,867.0

NOTE: Totals may not add due to rounding.

Table 14
Federal Intermediate Credit Banks Combined Trends in Income and Expenses

(Dollars in Millions)

For the	Year Ended		Quarter Ended			
	12/31/84	12/31/85	3/31/85	6/30/85	9/30/85	12/31/85
Total Interest Income	\$2,161.0	\$1,798.1	\$481.0	\$448.7	\$452.4	\$416.1
Less: Total Interest Expense	1,897.6	1,509.4	420.7	379.9	364.1	344.7
Net Interest Income	263.4	288.7	60.3	68.8	88.3	71.4
Less: Provision for Loan Losses	41.1	160.3	4.1	22.9	24.4	108.9
Net Interest Income (Loss) after Provision for Loan Losses	222.3	128.4	56.2	45.9	63.9	(37.5)
Plus: Other Income	0.7	(13.0)	0.6	(0.1)	76.7	(18.5)
Less: Other Expenses	99.7	204.7	24.0	38.6	180.1	33.8
Net Income (Loss)	\$ 123.3	\$ (89.3)	\$ 32.8	\$ 7.2	\$ (39.5)	\$ (89.8)

NOTE: Quarterly data may not add to yearly data due to other income and expense items.

Table 15
Federal Intermediate Credit Banks Combined Trends in Selected Financial Measures

(Dollars in Millions)

For the	Year Ended	Quarter Ended			
	12/31/84	3/31/85	6/30/85	9/30/85	12/31/85
Return on Assets (%)	0.62	0.70	0.02	(0.87)	(2.08)
Return on Equity (%)	6.17	6.52	0.19	(7.89)	(18.71)
Net Interest Margin (%)	1.38	1.37	1.26	2.03	1.72
Net Chargeoffs on Loans	\$21.90	\$1.20	\$20.80	\$1.30	\$15.30
As of	12/31/84	3/31/85	6/30/85	9/30/85	12/31/85
Capital-to-Assets Ratio	0.10	0.11	0.11	0.11	0.11
Debt-to-Capital Ratio	8.69	7.83	7.99	8.13	7.81

Table 16
Production Credit Associations Combined Trends in Financial Condition

(Dollars in Millions)

As of	12/31/84	3/31/85	6/30/85	9/30/85	12/31/85
Loans—Total Principal	\$18,382.8	\$17,110.1	\$17,210.4	\$16,434.1	\$14,405.3
Performing	16,302.6	14,582.3	15,031.2	13,967.7	12,089.8
Restructured	24.8	27.3	32.8	23.8	32.6
Other Restructured and Reduced Rate	21.4	16.2	22.1	22.8	20.1
Other High Risk	1,397.4	1,821.2	1,406.2	1,522.6	1,319.8
Nonaccrual	636.6	663.1	718.0	897.2	943.0
Less: Allowance for Losses	491.2	478.6	411.6	364.6	677.8
Net Loans	17,891.6	16,631.5	16,798.7	16,069.5	13,727.5
Cash and Investments in Securities	55.6	4.4	19.7	23.2	28.3
Net Acquired Property	182.3	223.1	239.9	241.6	183.8
Other Assets Net of Adjustments	2,838.9	2,693.8	2,763.1	2,755.2	2,531.7
Total Assets	20,968.4	19,552.8	19,821.4	19,089.5	16,471.3
Total Liabilities	17,093.5	15,765.5	16,121.9	15,614.7	13,639.6
Capital Stock and Participation Certificates	1,901.0	1,785.6	1,765.5	1,690.9	1,539.0
Earned Net Worth	1,973.9	2,001.7	1,934.0	1,783.9	1,292.7
Total Net Worth	\$ 3,874.9	\$ 3,787.3	\$ 3,699.5	\$ 3,474.8	\$ 2,831.7

NOTE: Totals may not add due to rounding.

Table 17
Production Credit Association Combined Trends in Income and Expenses

(Dollars in Millions)

For the	Year Ended		Quarter Ended			
	12/31/84	12/31/85	3/31/85	6/30/85	9/30/85	12/31/85
Total Interest Income	\$2,388.5	\$1,912.0	\$528.6	\$500.7	\$ 464.7	\$ 418.0
Less: Total Interest Expense	1,957.9	1,617.7	436.3	412.0	409.6	359.7
Net Interest Income	430.6	294.3	92.3	88.7	55.1	58.3
Less: Provision for Loan Losses	225.3	768.8	17.9	75.6	173.0	502.3
Net Interest Income (Loss) after Provision for Loan Losses	205.3	(474.4)	74.4	13.1	(117.9)	(444.0)
Plus: Other Income	180.4	246.0	22.8	41.4	55.6	134.1
Less: Other Expenses	396.0	452.6	90.5	95.5	94.2	172.4
Net Income (Loss)	\$ (10.3)	\$ (673.1)	\$ 6.7	\$ (41.0)	\$(156.5)	\$(482.3)

NOTE: Quarterly data may not add to yearly data due to other income and expense items.

Table 18
Production Credit Associations Combined Trends in Selected Financial Measures

(Dollars in Millions)

For the	Year Ended	Quarter Ended			
	12/31/84	3/31/85	6/30/85	9/30/85	12/31/85
Return on Assets (%)	(0.05)	0.20	(0.26)	(2.94)	(10.85)
Return on Equity (%)	(0.26)	1.08	(1.34)	(15.89)	(61.18)
Net Interest Margin (%)	2.31	2.16	2.22	1.43	1.60
Net Chargeoffs on Loans	\$285.90	\$19.20	\$120.80	\$202.20	\$137.40
As of	12/31/84	3/31/85	6/30/85	9/30/85	12/31/85
Capital-to-Assets Ratio	0.18	0.19	0.19	0.18	0.17
Debt-to-Capital Ratio	4.41	4.16	4.36	4.47	4.82

Table 19
Banks for Cooperatives Combined Trends in Financial Condition

(Dollars in Millions)

As of	12/31/84	3/31/85	6/30/85	9/30/85	12/31/85
Loans—Total Principal	\$ 9,014.0	\$ 9,168.1	\$ 8,343.2	\$7,750.5	\$ 8,102.1
Performing	8,476.2	8,553.1	7,793.2	7,199.0	7,632.7
Restructured	44.8	36.0	39.6	60.8	65.4
Other Restructured and Reduced Rate	0.3	0.2	0.0	1.2	0.9
Other High Risk	478.1	564.9	480.2	359.6	272.0
Nonaccrual	14.6	13.9	30.2	129.9	131.1
Less: Allowance for Losses	121.2	124.6	128.2	122.4	131.9
Net Loans	8,892.8	9,043.5	8,215.0	7,628.1	7,970.2
Cash and Investments in Securities	843.5	908.1	1,516.0	1,519.9	2,325.3
Net Acquired Property	3.9	3.9	6.3	6.3	11.2
Other Assets Net of Adjustments	334.3	309.0	332.2	280.4	311.0
Total Assets	10,074.5	10,264.5	10,069.5	9,434.7	10,617.7
Total Liabilities	8,867.9	9,061.0	8,850.2	8,227.8	9,451.5
Capital Stock and Participation Certificates	861.3	835.4	843.4	832.4	833.3
Earned Net Worth	345.3	368.1	375.9	374.5	332.9
Total Net Worth	\$ 1,206.6	\$ 1,203.5	\$ 1,219.3	\$1,206.9	\$ 1,166.2

NOTE: Totals may not add due to rounding.

Table 20
Banks for Cooperatives Combined Trends in Income and Expenses

(Dollars in Millions)

For the	Year Ended		Quarter Ended			
	12/31/84	12/31/85	3/31/85	6/30/85	9/30/85	12/31/85
Total Interest Income	\$1,173.0	\$993.0	\$266.7	\$260.1	\$232.4	\$233.8
Less: Total Interest Expense	972.4	825.5	220.3	213.7	194.4	197.0
Net Interest Income	200.6	167.5	46.4	46.4	38.0	36.8
Less: Provision for Loan Losses	8.7	24.5	3.4	3.8	5.2	12.0
Net Interest Income after Provision for Loan Losses	191.9	143.0	43.0	42.6	32.8	24.8
Plus: Other Income	5.4	6.7	1.0	1.1	1.2	3.5
Less: Other Expenses	64.1	83.4	16.1	17.9	27.4	22.3
Net Income	\$ 133.2	\$ 66.3	\$ 27.9	\$ 25.8	\$ 6.6	\$ 6.0

NOTE: Quarterly data may not add to yearly data due to other income and expense items.

Table 21
Banks for Cooperatives Combined Trends in Selected Financial Measures

(Dollars in Millions)

For the	Year Ended	Quarter Ended			
	12/31/84	3/31/85	6/30/85	9/30/85	12/31/85
Return on Assets (%)	1.29	1.10	1.02	0.27	0.24
Return on Equity (%)	11.09	9.25	8.55	2.18	2.02
Net Interest Margin (%)	1.99	1.85	1.84	1.58	1.51
Net Chargeoffs on Loans	\$10.10	(a)	\$0.20	\$11.10	\$2.50
As of	12/31/84	3/31/85	6/30/85	9/30/85	12/31/85
Capital-to-Assets Ratio	0.12	0.12	0.12	0.13	0.11
Debt-to-Capital Ratio	7.35	7.53	7.26	6.82	8.11

(a) Less than \$50,000.

NOTE: Totals may not add due to rounding.

Table 22

Federal Land Banks Combined Statement of Condition

(Dollars in Thousands)

As of December 31	1985	1984	Percent Change
Assets			
Loans:			
Unmatured Principal	\$42,849,819	\$50,676,659	(15.44)
Unmatured Extensions	19,311	28,922	(33.23)
Delinquent Principal and Advances	551,581	493,929	11.67
Loans in Process of Closing	48,055	59,776	(19.61)
Nonaccrual Loans	4,029,198	1,115,801	261.10
Accrued Interest Receivable on Loans	2,399,295	2,689,216	(10.78)
Gross Loan Items	49,897,258	55,064,304	(9.38)
Less: Allowance for Losses	2,178,322	547,079	298.17
Less: Deferred Proceeds of Loans	84,238	122,919	(31.47)
Less: Future Payment Funds	359,513	339,915	5.77
Less: Advance Payments	281,540	297,120	(5.24)
Less: Unamortized Loan Fees	19,179	19,460	(1.45)
Less: Unapplied Loan Payments	175,845	113,608	54.78
Net Loan Items	46,798,622	53,624,203	(12.73)
Cash	245,180	162,153	51.20
Investments:			
U.S. Government Securities (Par)	176,900	186,940	(5.37)
Securities Government Supervised Institutions (Par)	131,972	142,518	(7.40)
Other Securities and Federal Funds	3,239,049	774,515	318.20
Investment in DBC Bankers Acceptances (Par)	0	0	0.00
Unamortized Premium or Discount (Net)	(9,199)	(6,823)	34.82
Unamortized Defer Gain/Loss Security Sales (Net)	531	1,045	(49.24)
Total Investment in Securities	3,539,252	1,098,195	222.28
Notes Receivable Farm Credit Banks and Other	267,614	18,913	1314.97
Accounts Receivable—Other Farm Credit Banks	168,161	21,585	679.06
Accrued Interest Receivable—Other Farm Credit Banks	2,025	231	774.96
Accrued Interest Receivable—Investments	17,256	14,493	19.07
Acquired Property	940,826	332,466	182.98
Less: Allowance for Losses	218,881	18,672	1072.27
Less: Accumulated Depreciation	0	0	0.00
Net Acquired Property	721,945	313,794	130.07
Land, Buildings, and Equipment	159,496	135,941	17.33
Less: Accumulated Depreciation	36,502	27,313	33.64
Net Land, Buildings, and Equipment	122,994	108,628	13.23
Prepaid Expenses and Other Assets	101,982	86,058	18.50
Total Assets	\$51,985,031	\$55,448,253	(6.25)
Liabilities and Net Worth			
Drafts Outstanding	\$ 5,866	\$ 22,562	(74.00)
Notes Payable:			
FLBAs	419,797	520,186	(19.30)
Other Farm Credit Banks	0	0	0.00
Consolidated Systemwide Notes	2,221,338	1,117,806	98.72
Commercial Banks and Other	724,564	26,578	2626.23
Securities Sold Under Agreement to Repurchase	90,259	128,475	(29.75)
Total Notes Payable	3,455,958	1,793,045	92.74
Accounts Payable	159,825	26,466	503.88
Accrued Interest Payable	1,464,815	1,612,071	(9.13)
Miscellaneous Trust Accounts	56,646	32,293	75.41
Unmatured Consolidated and Systemwide Bonds	43,235,339	46,083,443	(6.18)
Less: Consolidated Bonds Owned	222,000	192,000	15.63
Net Consolidated and Systemwide Bonds Outstanding	43,013,339	45,891,443	(6.27)
Unmatured Farm Credit Investment Bonds Outstanding	96,952	0	N/A
Matured Farm Credit Investment Bonds Outstanding	0	0	0.00
Other Liabilities	38,749	33,233	16.60
Total Liabilities	48,292,149	49,411,113	(2.26)
Capital Stock:			
Class B—FLBAs	2,451,264	2,693,366	(8.99)
Class C—FLBAs	0	0	0.00
Participation Certificates—FLBAs	141,119	160,773	(12.22)
Total Capital Stock	2,592,383	2,854,139	(9.17)
Earned Net Worth:			
Legal Reserve	903,472	1,720,591	(47.49)
Surplus Reserve	14,693	128,010	(88.52)
Earned Surplus	182,335	1,334,400	(86.34)
Total Earned Net Worth	1,100,501	3,183,001	(65.43)
Total Net Worth	3,692,883	6,037,140	(38.83)
Total Liabilities and Net Worth	\$51,985,033	\$55,448,253	(6.25)

N/A Not applicable.

NOTE: Totals may not add due to rounding.

Table 23**Federal Land Banks Statement of Condition by District**

(Dollars in Thousands)

As of December 31, 1985	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Assets						
Loans:						
Unmatured Principal	\$ 957,909	\$2,101,033	\$4,863,696	\$3,530,269	\$2,418,633	\$4,235,061
Unmatured Extensions	0	0	10,879	0	32	1,724
Delinquent Principal and Advances	6,089	11,359	28,578	26,906	14,924	24,571
Loans in Process of Closing	787	698	204	5,379	2,792	721
Nonaccrual Loans	6,000	31,774	228,390	470,935	158,310	459,460
Accrued Interest Receivable on Loans	14,810	39,643	192,996	236,019	139,954	280,512
Gross Loan Items	985,595	2,184,506	5,324,742	4,269,508	2,734,646	5,002,049
Less: Allowance for Losses	14,739	21,033	119,700	103,356	84,632	287,873
Less: Deferred Proceeds of Loans	1,133	5,760	19,040	1,700	1,926	471
Less: Future Payment Funds	0	0	0	0	0	0
Less: Advance Payments	508	14,369	33,610	54,583	20,263	52,050
Less: Unamortized Loan Fees	0	0	0	0	2,540	0
Less: Unapplied Loan Payments	109	932	20,826	51,895	1,434	53,201
Net Loan Items	969,106	2,142,411	5,131,566	4,057,973	2,623,851	4,608,454
Cash	4,000	8,072	49,505	26,027	14,139	23,760
Investments:						
U.S. Government Securities (Par)	0	0	0	19,000	2,325	2,500
Securities Government Supervised Institutions (Par)	0	1,365	30,625	10,421	2,255	0
Other Securities and Federal Funds	74,000	166,282	274,057	150,946	225,338	335,905
Investment in DBC Bankers Acceptances (Par)	0	0	0	0	0	0
Unamortized Premium or Discount (Net)	0	(12)	(36)	(1,231)	(43)	(47)
Unamortized Defer Gain/Loss Security Sales (Net)	0	0	258	0	0	273
Total Investment in Securities	74,000	167,636	304,904	179,137	229,875	338,630
Notes Receivable Farm Credit Banks and Other	924	15,594	85,877	18,057	2,000	17,615
Accounts Receivable	3,141	2,971	1,433	46,492	1,006	1,556
Accrued Interest Receivable—Other Farm Credit Banks	33	282	315	69	30	31
Accrued Interest Receivable—Investments	71	1,768	1,721	801	1,541	398
Acquired Property	3,790	6,902	81,606	58,745	187,499	90,870
Less: Allowance for Losses	195	430	22,629	5,100	48,009	16,218
Less: Accumulated Depreciation	0	0	0	0	0	0
Net Acquired Property	3,596	6,472	58,977	53,645	139,490	74,652
Land, Buildings, and Equipment	16,953	12,904	7,491	9,902	10,587	11,125
Less: Accumulated Depreciation	4,361	2,790	3,489	4,760	1,707	2,542
Net Land, Buildings, and Equipment	12,592	10,115	4,002	5,142	8,880	8,583
Prepaid Expenses and Other Assets	1,962	4,989	9,754	9,180	6,304	6,758
Total Assets	\$1,069,425	\$2,360,309	\$5,648,053	\$4,396,523	\$3,027,116	\$5,080,437
Liabilities and Net Worth						
Drafts Outstanding	\$ 169	\$ 1,682	\$ 1,370	\$ 426	\$ 205	\$ 259
Notes Payable:						
FLBAs	15,672	57,719	21,673	48,440	3,444	19,120
Other Farm Credit Banks	0	0	0	0	0	0
Consolidated Systemwide Notes	47,723	78,835	0	29,923	72,383	169,385
Commercial Banks and Other	0	35,229	108,058	81,176	50,146	84,870
Securities Sold Under Agreement to Repurchase	0	0	0	0	0	0
Total Notes Payable	63,396	171,783	129,731	159,538	125,972	273,374
Accounts Payable	10,550	11,552	28,505	42,146	15,500	26,276
Accrued Interest Payable	28,056	60,930	157,206	135,727	89,370	143,003
Miscellaneous Trust Accounts	716	5,733	5,394	1,219	296	4,079
Unmatured Consolidated and Systemwide Bonds	844,310	1,753,400	4,788,155	3,902,446	2,636,500	4,328,000
Less: Consolidated Bonds Owned	0	0	47,000	100,000	25,000	0
Net Consolidated and Systemwide Bonds Outstanding	844,310	1,753,400	4,741,155	3,802,446	2,611,500	4,328,000
Unmatured Farm Credit Investment Bonds Outstanding	0	96,952	0	0	0	0
Matured Farm Credit Investment Bonds Outstanding	0	0	0	0	0	0
Other Liabilities	546	1,013	3,456	3,668	2,460	3,445
Total Liabilities	947,742	2,103,045	5,066,817	4,145,171	2,845,303	4,778,436
Capital Stock:						
Class B—FLBAs	52,731	100,911	243,411	222,823	129,080	254,625
Class C—FLBAs	0	0	0	0	0	0
Participation Certificates—FLBAs	6,156	13,636	38,395	7,898	13,027	5,097
Total Capital Stock	58,887	114,548	281,806	230,720	142,106	259,722
Earned Net Worth:						
Legal Reserve	62,796	79,730	216,915	20,632	39,706	42,279
Surplus Reserve	0	4,500	0	0	0	0
Earned Surplus	0	58,487	82,517	0	0	0
Total Earned Net Worth	62,796	142,717	299,432	20,632	39,706	42,279
Total Net Worth	121,683	257,265	581,238	251,352	181,813	302,001
Total Liabilities and Net Worth	\$1,069,425	\$2,360,309	\$5,648,055	\$4,396,523	\$3,027,116	\$5,080,437

NOTE: Totals may not add due to rounding.

Table 23 (continued)
Federal Land Banks Statement of Condition by District

(Dollars in Thousands)

As of December 31, 1985	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Assets						
Loans:						
Unmatured Principal	\$6,060,905	\$4,443,816	\$4,145,846	\$2,714,591	\$4,225,215	\$3,152,845
Unmatured Extensions	6,357	309	0	11	0	0
Delinquent Principal and Advances	75,505	170,506	108,412	1,479	38,122	45,131
Loans in Process of Closing	0	220	9,528	14,816	12,909	0
Nonaccrual Loans	847,307	696,234	555,768	3,942	235,941	335,137
Accrued Interest Receivable on Loans	264,226	369,479	238,536	146,579	277,970	198,572
Gross Loan Items	7,254,298	5,680,564	5,058,091	2,881,417	4,790,156	3,731,685
Less: Allowance for Losses	390,327	476,449	422,511	73,150	136,152	48,401
Less: Deferred Proceeds of Loans	6,592	3,210	389	14,541	28,135	1,342
Less: Future Payment Funds	0	79,746	95,143	68,839	40,790	74,995
Less: Advance Payments	62,098	3,467	8,663	31,926	2	0
Less: Unamortized Loan Fees	16,639	0	0	0	0	0
Less: Unapplied Loan Payments	10,459	1,342	36,579	(2,143)	366	843
Net Loan Items	6,768,184	5,116,350	4,494,806	2,695,106	4,584,711	3,606,105
Cash	5,178	33,672	29,727	10,419	27,082	13,600
Investments:						
U.S. Government Securities (Par)	25,400	44,925	70,000	5,750	7,000	0
Securities Government Supervised Institutions (Par)	18,639	5,000	10,000	0	15,666	38,000
Other Securities and Federal Funds	361,015	496,148	365,353	250,730	309,642	229,633
Investment in DBC Bankers Acceptances (Par)	0	0	0	0	0	0
Unamortized Premium or Discount (Net)	(2,598)	(2,697)	1,062	(34)	(674)	(2,889)
Unamortized Defer Gain/Loss Security Sales (Net)	0	0	0	0	0	0
Total Investment in Securities	402,456	543,376	446,415	256,445	331,633	264,745
Notes Receivable Farm Credit Banks and Other	67,634	7,411	2,223	0	33,209	17,069
Accounts Receivable	49,259	212,817	22,631	1,015	3,457	1,971
Accrued Interest Receivable—Other Farm Credit Banks	357	405	342	0	120	41
Accrued Interest Receivable—Investments	2,605	3,764	2,297	973	1,001	317
Acquired Property	126,455	102,685	97,256	4,116	90,709	90,194
Less: Allowance for Losses	26,444	37,000	16,106	460	15,233	31,059
Less: Accumulated Depreciation	0	0	0	0	0	0
Net Acquired Property	100,011	65,685	81,150	3,656	75,476	59,134
Land, Buildings, and Equipment	15,084	8,257	18,968	12,414	7,002	28,809
Less: Accumulated Depreciation	4,565	3,945	2,164	900	1,999	3,282
Net Land, Buildings, and Equipment	10,519	4,313	16,805	11,514	5,003	25,527
Prepaid Expenses and Other Assets	9,927	8,046	17,455	6,062	6,921	14,623
Total Assets	\$7,416,129	\$5,995,839	\$5,113,852	\$2,985,190	\$5,068,614	\$4,003,132
Liabilities and Net Worth						
Drafts Outstanding	\$ 0	\$ 584	\$ 621	\$ 0	\$ 0	\$ 550
Notes Payable:						
FLBAs	80,626	0	0	94,692	21,739	56,669
Other Farm Credit Banks	0	0	0	0	0	0
Consolidated Systemwide Notes	211,239	491,921	235,720	393,178	260,107	230,925
Commercial Banks and Other	119,352	106,257	0	0	79,138	60,340
Securities Sold Under Agreement to Repurchase	21,789	0	20,054	48,416	0	0
Total Notes Payable	433,007	598,177	255,774	536,286	360,984	347,934
Accounts Payable	47,926	14,777	88,511	14,082	22,130	17,459
Accrued Interest Payable	212,187	169,111	149,945	61,993	142,633	114,654
Miscellaneous Trust Accounts	1,776	3,023	3,241	754	29,362	1,053
Unmatured Consolidated and Systemwide Bonds	6,211,500	4,976,600	4,344,273	2,138,087	4,144,900	3,167,168
Less: Consolidated Bonds Owned	0	50,000	0	0	0	0
Net Consolidated and Systemwide Bonds Outstanding	6,211,500	4,926,600	4,344,273	2,138,087	4,144,900	3,167,168
Unmatured Farm Credit Investment Bonds Outstanding	0	0	0	0	0	0
Matured Farm Credit Investment Bonds Outstanding	0	0	0	0	0	0
Other Liabilities	4,426	5,023	6,713	3,729	2,346	1,925
Total Liabilities	6,910,822	5,717,295	4,849,077	2,754,932	4,702,355	3,650,743
Capital Stock:						
Class B—FLBAs	347,197	271,418	252,597	139,950	249,362	187,160
Class C—FLBAs	0	0	0	0	0	0
Participation Certificates—FLBAs	19,107	7,126	12,177	10,972	1,974	5,553
Total Capital Stock	366,303	278,544	264,774	150,922	251,336	192,714
Earned Net Worth:						
Legal Reserve	139,004	0	0	74,844	113,050	114,516
Surplus Reserve	0	0	0	4,493	0	5,700
Earned Surplus	0	0	0	0	1,873	39,459
Total Earned Net Worth	139,004	0	0	79,337	114,923	159,675
Total Net Worth	505,307	278,544	264,774	230,259	366,259	352,388
Total Liabilities and Net Worth	\$7,416,129	\$5,995,839	\$5,113,852	\$2,985,190	\$5,068,614	\$4,003,132

NOTE: Totals may not add due to rounding.

Table 24

Federal Land Banks Combined Statement of Income

(Dollars in Thousands)

As of December 31, 1985	1985	1984	Percent Change
Income			
Loan Interest Income:			
Mortgage Loans	\$ 5,624,708	\$5,872,380	(4.22)
Notes Receivable Other Farm Credit Banks	5,925	1,258	370.93
Sales Contracts (Net)	1,008	440	129.28
Penalty and Other Interest Income	105,970	107,355	(1.29)
Total Interest Income from Loans	5,737,611	5,981,434	(4.08)
Income from Investments (Net)	159,610	102,434	55.82
Compensation Income—Participations Sold	0	0	0.00
Appraisal and Loan Service Fees	13,998	28,767	(51.34)
Financially Related Services	1,714	3,004	(42.94)
Other Operating Income	3,224	157	1956.36
Gross Income	5,916,157	6,115,795	(3.26)
Notes and Bonds Expense:			
Cost of Bonds	5,284,872	5,389,877	(1.95)
Interest on Notes Payable	166,889	204,828	(18.52)
Interest on Future Payment Funds	25,930	22,024	17.74
Total Cost of Borrowed Funds	5,477,691	5,616,729	(2.48)
Compensation Expense—Participations Purchased	0	0	0.00
Operating Expense	290,279	248,830	16.66
Total Expenses	5,767,970	5,865,559	(1.66)
Net Gain (Loss) from Operations	148,187	250,236	(40.78)
Other Additions/Deductions:			
Gain (Loss)—Sale of Investment	247	4	5474.92
Income (Expense)—Office Building and Premises	(345)	(71)	384.95
Income (Expense)—Land/Buildings (Investment)	(46)	15	(397.21)
Income (Expense)—Acquired Property	6,968	2,374	193.54
Gain (Loss)—Disposition of Acquired Property	(3,881)	(2,100)	84.78
Provision for Losses—Acquired Property	(211,274)	(24,015)	779.76
Income (Expense)—Mineral Reservations	24,164	28,965	(16.58)
Interest on Investments—Buildings/Premises	857	846	1.29
Other Gains (Losses)	32,464	235	***** ¹
Total Other Additions and Deductions	(150,845)	6,253	(*****) ¹
Net Gain (Loss) before Provision for Losses	(2,659)	256,490	(101.04)
Provision for Losses on Loans	(2,074,413)	(71,348)	2807.44
Net Income (Loss)	\$(2,077,072)	\$ 185,141	(*****)¹

¹Percent Change exceeds 9999.99 or (999.99).

NOTE: Totals may not add due to rounding.

Table 25**Federal Land Banks Statement of Income by District**

(Dollars in Thousands)

For the Year Ended December 31, 1985	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Income						
Loan Interest Income:						
Mortgage Loans	\$120,781	\$253,873	\$ 604,591	\$ 505,076	\$ 302,459	\$ 564,709
Notes Receivable Other Farm Credit Banks	203	512	362	557	991	113
Sales Contracts (Net)	0	0	0	0	0	0
Penalty and Other Interest Income	1,653	2,040	6,369	4,403	6,677	7,691
Total Interest Income from Loans	122,637	256,426	611,322	510,035	310,127	572,513
Income from Investments (Net)	4,872	10,055	12,423	9,605	6,938	12,136
Compensation Income—Participations Sold	0	0	0	0	0	0
Appraisal and Loan Service Fees	0	3	3,438	0	1,643	1,395
Financially Related Services	0	56	0	267	232	261
Other Operating Income	71	40	21	3	11	28
Gross Income	127,580	266,580	627,205	519,911	318,950	586,333
Notes and Bonds Expense:						
Cost of Bonds	95,035	218,239	568,747	502,000	306,698	512,244
Interest on Notes Payable	8,135	11,246	10,132	9,843	7,549	12,674
Interest on Future Payment Funds	9	0	0	0	0	0
Total Cost of Borrowed Funds	103,180	229,485	578,879	511,843	314,247	524,917
Compensation Expense—Participations Purchased	0	0	0	0	0	0
Operating Expense	12,942	17,590	33,277	41,180	21,936	27,077
Total Expenses	116,122	247,075	612,156	553,022	336,183	551,994
Net Gain (Loss) from Operations	11,458	19,506	15,049	(33,112)	(17,233)	34,339
Other Additions/Deductions:						
Gain (Loss)—Sale of Investment	0	(16)	0	23	54	0
Income (Expense)—Office Building and Premises	0	5	0	0	0	0
Income (Expense)—Land/Buildings (Investment)	0	(7)	7	0	(50)	0
Income (Expense)—Acquired Property	(82)	(94)	(201)	1,833	2,550	2,797
Gain (Loss)—Disposition of Acquired Property	39	(103)	541	(6,339)	1,659	(148)
Provision for Losses—Acquired Property	(217)	(292)	(18,952)	(18,516)	(53,605)	(24,601)
Income (Expense)—Mineral Reservations	0	4	0	6	7,512	856
Interest on Investments—Buildings/Premises	100	514	242	0	0	0
Other Gains (Losses)	(5,790)	(12,411)	(14,324)	(28,756)	18,315	(29,462)
Total Other Additions and Deductions	(5,951)	(12,400)	(32,687)	(51,749)	(23,567)	(50,558)
Net Gain (Loss) before Provision for Losses	(5,507)	7,106	(17,637)	(84,861)	(40,799)	(16,219)
Provision for Losses	(526)	931	101,093	125,006	75,484	243,794
Net Income (Loss)	\$ 6,034	\$ 6,174	\$(118,730)	\$(209,866)	\$(116,283)	\$(260,013)

NOTE: Totals may not add due to rounding.

Table 25 (continued)
Federal Land Banks Statement of Income by District

(Dollars in Thousands)

For the Year Ended December 31, 1985	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Income						
Loan Interest Income:						
Mortgage Loans	\$ 800,790	\$ 680,602	\$ 546,016	\$308,613	\$ 522,858	\$414,339
Notes Receivable Other Farm Credit Banks	1,290	16	87	1	1,621	172
Sales Contracts (Net)	0	684	272	0	0	52
Penalty and Other Interest Income	16,812	19,962	19,904	400	8,758	11,302
Total Interest Income from Loans	818,892	701,264	566,279	309,014	533,238	425,865
Income from Investments (Net)	19,733	23,726	19,456	17,621	14,251	8,792
Compensation Income—Participations Sold	0	0	0	0	0	0
Appraisal and Loan Service Fees	1,997	83	0	254	5,159	27
Financially Related Services	188	711	0	0	0	0
Other Operating Income	10	2,964	40	6	23	4
Gross Income	840,820	728,748	585,776	326,896	552,671	434,688
Notes and Bonds Expense:						
Cost of Bonds	737,600	650,143	517,018	305,635	495,096	376,419
Interest on Notes Payable	25,908	12,274	14,147	23,912	14,953	16,116
Interest on Future Payment Funds	0	10,828	0	6,425	0	8,668
Total Cost of Borrowed Funds	763,508	673,244	531,165	335,973	510,048	401,203
Compensation Expense—Participations Purchased	0	0	0	0	0	0
Operating Expense	36,621	27,521	32,640	9,350	10,165	19,980
Total Expenses	800,129	700,766	563,806	345,322	520,214	421,183
Net Gain (Loss) from Operations	40,692	27,982	21,970	(18,427)	32,457	13,504
Other Additions/Deductions:						
Gain (Loss)—Sale of Investment	0	0	0	0	186	0
Income (Expense)—Office Building and Premises	0	63	(3)	(70)	0	(340)
Income (Expense)—Land/Buildings (Investment)	0	2	0	0	0	1
Income (Expense)—Acquired Property	2,423	1,590	(1,514)	(3)	(1,597)	(732)
Gain (Loss)—Disposition of Acquired Property	42	(215)	496	8	(7)	147
Provision for Losses—Acquired Property	(17,021)	(34,845)	(15,752)	(473)	(15,287)	(11,711)
Income (Expense)—Mineral Reservations	4,683	180	6,019	3,029	107	1,768
Interest on Investment—Buildings/Premises	0	0	0	0	0	0
Other Gains (Losses)	(55,618)	187,112	35,669	(14,905)	(26,725)	(20,641)
Total Other Additions and Deductions	(65,490)	153,888	24,915	(12,415)	(43,324)	(31,508)
Net Gain (Loss) before Provision for Losses	(24,798)	181,870	46,885	(30,842)	(10,867)	(18,003)
Provision for Losses	398,237	538,099	430,360	30,960	89,540	41,436
Net Income (Loss)	\$(423,036)	\$(356,229)	\$(383,475)	\$(61,801)	\$(100,407)	\$(59,439)

NOTE: Totals may not add due to rounding.

Table 26**District Federal Land Banks Nonperforming Loans, Chargeoffs and Financial Ratios**

(Dollars in Millions)

For the Year Ended December 31, 1985	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Nonperforming Loans	\$37.4	\$95.7	\$421.7	\$677.4	\$371.1	\$915.8
Formally Restructured	(a)	0.1	1.8	1.6	0.1	0.0
Other Restructured and Reduced Rate	0.0	0.8	0.0	0.0	0.0	0.0
Other High Risk	31.4	63.0	191.5	204.9	212.7	456.3
Nonaccrual	6.0	31.8	228.4	470.9	158.3	459.5
Net Loan Chargeoffs	\$ 0.0	\$ 2.4	\$ 15.4	\$ 58.1	\$ 47.1	\$ 40.6
Selected Ratios						
Return on Assets (%)	0.55	0.26	(2.07)	(4.28)	(3.74)	(4.86)
Return on Equity (%)	4.84	2.34	(17.06)	(48.89)	(41.74)	(50.17)
Net Interest Margin (%)	2.30	1.60	0.83	0.18	0.10	1.22
As of December 31, 1985						
Capital-to-Assets Ratio	0.11	0.11	0.10	0.06	0.06	0.06
Debt-to-Capital Ratio	7.79	8.17	8.72	16.49	15.65	15.82

(a) Less than \$50,000.

NOTE: Totals may not add due to rounding.

Table 26 (continued)**District Federal Land Banks Nonperforming Loans, Chargeoffs and Financial Ratios**

(Dollars in Millions)

For the Year Ended December 31, 1985	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Nonperforming Loans	\$1,585.8	\$1,109.7	\$1,053.7	\$65.6	\$492.9	\$564.8
Formally Restructured	6.1	1.7	0.2	3.3	0.0	0.0
Other Restructured and Reduced Rate	14.9	0.5	0.0	0.5	0.0	0.0
Other High Risk	717.5	411.3	497.8	57.9	257.0	229.7
Nonaccrual	847.3	696.2	555.7	\$ 3.9	235.9	335.1
Net Loan Chargeoffs	\$ 69.5	\$ 134.7	\$ 63.6	(a)	\$ 15.5	\$ 13.2
Selected Ratios						
Return on Assets (%)	(5.47)	(5.57)	(7.12)	(2.11)	(1.99)	(1.51)
Return on Equity (%)	(49.52)	(63.64)	(68.23)	(21.70)	(21.62)	(14.60)
Net Interest Margin (%)	1.06	0.89	1.10	(0.32)	0.79	0.93
As of December 31, 1985						
Capital-to-Assets Ratio	0.07	0.05	0.05	0.08	0.07	0.09
Debt-to-Capital Ratio	13.68	20.53	18.31	11.96	12.84	10.36

(a) Less than \$50,000.

NOTE: Totals may not add due to rounding.

Table 27**Federal Land Bank Associations Combined Statement of Condition**

(Dollars in Thousands)

As of December 31	1985	1984	Percent Change
Assets			
Cash	\$ 13,617	\$ 16,553	(17.74)
Investments:			
U.S. Government Securities	33	34	(2.94)
Other Securities (Par)	7,613	12,245	(37.83)
Unamortized Premium or Discount (Net)	(37)	(41)	(9.76)
Federal Land Bank Obligations	415,510	517,187	(19.66)
Other (Par)	432	33	1,209.09
Total Investment in Securities	423,551	529,457	(20.00)
Investments in Federal Land Banks:			
Class B Stock	2,451,246	2,693,379	(8.99)
Class C Stock	0	0	0.00
Participation Certificates	141,123	160,773	(12.22)
Total Investment in Federal Land Banks	2,592,369	2,854,151	(9.17)
Notes Receivable Farm Credit Banks and Other	4,408	4,385	0.52
Accounts Receivable	46,341	4,696	886.82
Accrued Interest Receivable—Other Farm Credit Banks	7,736	11,344	(31.81)
Land, Buildings, and Equipment	175,218	177,543	(1.31)
Less: Accumulated Depreciation	46,592	(42,770)	208.94
Net Land, Buildings, and Equipment	128,626	134,773	(4.56)
Prepaid Expenses and Other Assets	8,326	6,834	21.83
Total Assets	\$3,224,974	\$3,562,194	(9.47)
Liabilities and Net Worth			
Notes Payable	\$ 432	\$ 1,342	(67.81)
Accounts Payable	92,883	11,709	693.26
Accrued Interest Payable	42,241	9	*****1
Dividends Payable	823	1,238	(33.52)
Undistributed Collections and Trust Funds	10,207	13,856	(26.34)
Miscellaneous Trust Receipts	516	452	14.16
Other Liabilities	11,809	8,225	43.57
Total Liabilities	158,911	36,831	331.46
Less: Allowance for Losses	112,110	147,006	(23.74)
Capital Stock Outstanding	2,451,245	2,693,379	(8.99)
Participation Certificates	141,121	160,773	(12.22)
Total Capital Stock	2,592,366	2,854,151	(9.17)
Earned Net Worth:			
Legal Reserve	87,033	98,534	(11.67)
Surplus Reserve	9,789	47,466	(79.38)
Earned Surplus	264,765	378,206	(29.99)
Total Earned Net Worth	361,587	524,206	(31.02)
Total Net Worth	2,953,953	3,378,357	(12.56)
Total Liabilities and Net Worth	\$3,224,974	\$3,562,194	(9.47)

1Percent Change exceeds 9999.99 or (999.99).

NOTE: Totals may not add due to rounding.

Table 28
Federal Land Bank Associations Statement of Condition by District

(Dollars in Thousands)

As of December 31, 1985	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Assets						
Cash	\$ 99	\$ 250	\$ 280	\$ 645	\$ 219	\$ 191
Investments:						
U.S. Government Securities	0	0	0	0	0	0
Other Securities (Par)	3	0	0	0	0	0
Unamortized Premium or Discount (Net)	0	0	0	0	(2)	(32)
Federal Land Bank Obligations	15,653	57,214	21,612	46,354	3,445	18,647
Other (Par)	17	0	0	0	0	0
Total Investment in Securities	15,673	57,214	21,612	46,354	3,443	18,615
Investments in Federal Land Banks:						
Class B Stock	52,729	100,903	243,411	222,823	129,080	254,625
Class C Stock	0	0	0	0	0	0
Participation Certificates	6,159	13,636	38,395	7,897	13,027	5,097
Total Investment in Federal Land Banks	58,888	114,539	281,806	230,720	142,107	259,722
Notes Receivable Farm Credit Banks and Other	40	98	243	246	214	198
Accounts Receivable	145	(2)	3	17,538	44	57
Accrued Interest Receivable—Other Farm Credit Banks	0	444	3	2,750	0	1
Land, Buildings, and Equipment	5,607	11,737	19,895	15,828	10,796	14,796
Less: Accumulated Depreciation	1,785	3,136	6,082	4,258	3,313	3,579
Net Land, Buildings, and Equipment	3,822	8,601	13,813	11,570	7,483	11,217
Prepaid Expenses and Other Assets	0	99	2,791	720	79	253
Total Assets	\$78,667	\$181,243	\$320,551	\$310,543	\$153,589	\$290,254
Liabilities and Net Worth						
Notes Payable	\$ 0	\$ 40	\$ 0	\$ 180	\$ 0	\$ 111
Accounts Payable	576	47	1,361	45,222	69	87
Accrued Interest Payable	0	0	0	0	0	0
Dividends Payable	0	823	0	0	0	0
Undistributed Collections and Trust Funds	(1)	12	0	183	1	139
Miscellaneous Trust Receipts	16	0	0	(1)	1	6
Other Liabilities	1	705	2,041	1,734	768	916
Total Liabilities	592	1,627	3,402	47,318	839	1,259
Less: Allowance for Losses	0	24,095	0	12,447	0	0
Capital Stock Outstanding	52,728	100,900	243,411	222,823	129,080	254,625
Participation Certificates	6,159	13,636	38,395	7,898	13,027	5,097
Total Capital Stock	58,887	114,536	281,806	230,721	142,107	259,722
Earned Net Worth:						
Legal Reserve	2,815	6,230	5,453	7,454	6,314	5,344
Surplus Reserve	0	0	0	0	0	0
Earned Surplus	16,373	34,755	29,890	12,603	4,329	23,929
Total Earned Net Worth	19,188	40,985	35,343	20,057	10,643	29,273
Total Net Worth	78,075	155,521	317,149	250,778	152,750	288,995
Total Liabilities and Net Worth	\$78,667	\$181,243	\$320,551	\$310,543	\$153,589	\$290,254

NOTE: Totals may not add due to rounding.

Table 28 (continued)**Federal Land Bank Associations Statement of Condition by District**

(Dollars in Thousands)

As of December 31, 1985	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Assets						
Cash	\$ 3,825	\$ 1,741	\$ 3,744	\$ 1,761	\$ 126	\$ 736
Investments:						
U.S. Government Securities	0	0	0	3	30	0
Other Securities (Par)	835	0	0	0	6,775	0
Unamortized Premium or Discount (Net)	0	0	0	0	(3)	0
Federal Land Bank Obligations	79,632	0	0	94,698	21,586	56,669
Other (Par)	23	0	0	392	0	0
Total Investment in Securities	80,490	0	0	95,093	28,388	56,669
Investments in Federal Land Banks:						
Class B Stock	347,191	271,418	252,597	139,947	249,362	187,160
Class C Stock	0	0	0	0	0	0
Participation Certificates	19,107	7,126	12,177	10,975	1,974	5,553
Total Investment in Federal Land Banks	366,298	278,544	264,774	150,922	251,336	192,713
Notes Receivable Farm Credit Banks and Other	756	394	489	268	587	875
Accounts Receivable	13,680	9,766	20	5,665	27	195
Accrued Interest Receivable—Other Farm Credit Banks	23	0	0	680	544	3,291
Land, Buildings, and Equipment	22,239	25,088	16,728	8,138	11,293	13,073
Less: Accumulated Depreciation	5,442	5,730	3,971	2,760	2,836	3,700
Net Land, Buildings, and Equipment	16,797	19,358	12,757	5,378	8,457	9,373
Prepaid Expenses and Other Assets	1,594	482	152	163	58	1,935
Total Assets	\$483,463	\$310,285	\$281,936	\$259,930	\$289,523	\$265,787
Liabilities and Net Worth						
Notes Payable	\$ 101	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Accounts Payable	45,695	40	0	0	0	583
Accrued Interest Payable	4	28,229	12,111	1,122	602	173
Dividends Payable	0	0	0	0	0	0
Undistributed Collections and Trust Funds	4,457	1,161	3,603	1	10	641
Miscellaneous Trust Receipts	61	125	0	286	22	0
Other Liabilities	654	2,186	1,448	761	2	593
Total Liabilities	50,972	31,741	17,162	2,170	636	1,990
Less: Allowance for Losses	16,185	0	0	41,511	0	17,872
Capital Stock Outstanding	347,191	271,418	252,597	139,950	249,362	187,160
Participation Certificates	19,107	7,126	12,177	10,972	1,974	5,553
Total Capital Stock	366,298	278,544	264,774	150,922	251,336	192,713
Earned Net Worth:						
Legal Reserve	9,927	0	0	29,914	6,504	7,078
Surplus Reserve	9,789	0	0	0	0	0
Earned Surplus	30,292	0	0	35,413	31,047	46,134
Total Earned Net Worth	50,008	0	0	65,327	37,551	53,212
Total Net Worth	416,306	278,544	264,774	216,249	288,887	245,925
Total Liabilities and Net Worth	\$483,463	\$310,285	\$281,936	\$259,930	\$289,523	\$265,787

NOTE: Totals may not add due to rounding.

Table 29

Federal Land Bank Associations Combined Statement of Income

(Dollars in Thousands)

For the Year Ended December 31	1985	1984	Percent Change
Income			
Applications and Loan Fees	\$ 12,604	\$ 16,399	(23.14)
Federal Land Bank Compensation	161,720	125,886	28.47
Dividend Income	2,309	27,470	(91.59)
Interest Income from Notes Receivable and Investments	51,852	65,430	(20.75)
Financially Related Services	8,469	7,417	14.18
Other Operating Income	8,388	212	3,856.60
Gross Income	245,342	242,815	1.04
Expenses			
Directors' Expense	6,895	6,398	7.77
Salaries	107,488	99,936	7.56
Annual Leave	211	215	(1.86)
Employee Benefits	26,654	25,917	2.84
Purchased Services	3,876	3,804	1.89
Travel Expense	8,569	8,245	3.93
Cost of Space Occupied	11,634	11,558	0.66
Communications	6,624	5,834	13.54
Printing and Office Supplies	1,894	1,635	15.84
Furniture and Equipment Expense	4,635	4,219	9.86
Data Processing Service Center	1,387	1,085	27.83
Data Processing Services Purchased	2,114	969	118.16
Management Information Services	0	0	0.00
Advertising	3,396	3,846	(11.70)
Public and Member Relations	4,286	4,402	(2.64)
Training	1,363	1,726	(21.03)
Farmbank Services Expense	0	0	0.00
Abstracts, Record Reports, Filing, Etc.	372	250	48.80
Supervisory and Examination Expense	878	268	227.61
Other Expenses	1,856	1,285	44.44
Subtotal	194,132	181,593	6.90
Miscellaneous Expense Credits	1,928	1,489	29.48
Total Operating Expenses	192,204	180,104	6.72
Net Gain (Loss) from Operations	53,138	62,711	(15.27)
Other Additions and Deductions			
Interest on Investments—Buildings/Premises	14	4	250.00
Income (Expense)—Office Building or Premises	61	57	7.02
Income (Expense)—Land/Buildings (Investment)	(52)	(70)	(25.71)
Gain (Loss)—Sale of Investment	0	(1)	(100.00)
Other Gains (Losses)	(114,378)	732	(*****)
Net Gains (Losses) on Endorsed Loans	(49,823)	(4,424)	1,026.20
Total Other Additions and Deductions	(164,178)	(3,702)	4,334.85
Net Gain (Loss) before Provision for Losses	(111,040)	59,009	(288.17)
Adjustment—Provision for Losses	48,918	(11,415)	528.54
Net Income (Loss)	\$(159,958)	\$ 47,594	(436.09)

*Percent Change exceeds 9999.99 or (999.99).

NOTE: Totals may not add due to rounding.

Table 30**Federal Land Bank Associations Statement of Income by District**

(Dollars in Thousands)

For the Year Ended December 31, 1985	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Income						
Applications and Loan Fees	\$ 472	\$ 1,362	\$ 788	\$ 1,149	\$ 315	\$ 45
Federal Land Bank Compensation	7,724	10,443	24,607	28,769	10,305	13,560
Dividend Income	0	2,308	0	0	0	0
Interest Income from Notes Receivable and Investments	1,630	5,289	4,941	6,224	51	11
Financially Related Services	234	824	1,820	825	126	588
Other Operating Income	45	25	9	433	17	5
Gross Income	10,105	20,251	32,165	37,400	10,814	14,209
Expenses						
Directors' Expense	155	331	319	1,095	387	562
Salaries	4,195	7,346	14,092	12,322	6,070	7,550
Annual Leave	1	0	0	0	0	101
Employee Benefits	1,022	1,845	3,753	3,456	1,556	1,739
Purchased Services	80	48	1,342	251	28	10
Travel Expense	524	648	1,019	766	665	784
Cost of Space Occupied	237	742	1,419	1,349	768	995
Communications	232	440	817	762	396	567
Printing and Office Supplies	94	175	286	181	156	87
Furniture and Equipment Expense	206	317	566	445	285	279
Data Processing Service Center	0	180	0	0	0	0
Data Processing Services Purchased	369	30	436	27	0	0
Management Information Services	0	0	0	0	0	0
Advertising	99	200	460	306	122	266
Public and Member Relations	125	368	389	439	253	332
Training	89	130	67	88	61	105
Farmbank Services Expense	0	0	0	0	0	0
Abstracts, Record Reports, Filing, Etc.	12	12	35	70	0	0
Supervisory and Examination Expense	68	94	125	0	0	0
Other Expenses	94	101	373	128	19	92
Subtotal	7,602	13,007	25,498	21,685	10,766	13,469
Miscellaneous Expense Credits	10	3	1,190	4	175	0
Total Operating Expenses	7,592	13,004	24,308	21,681	10,591	13,469
Net Gain (Loss) from Operations	2,513	7,247	7,857	15,719	223	740
Other Additions and Deductions:						
Interest on Investments—Buildings/Premises	0	6	0	2	0	0
Income (Expense)—Office Building or Premises	0	41	8	0	1	0
Income (Expense)—Land/Buildings (Investment)	2	1	(7)	0	(1)	0
Gain (Loss)—Sale of Investment	0	0	0	0	0	0
Other Gains (Losses)	42	86	(20,577)	357	(35,132)	115
Net Gains (Losses) on Endorsed Loans	0	39	0	(49,551)	0	0
Total Other Additions and Deductions	44	173	(20,576)	(49,192)	(35,132)	115
Net Gain (Loss) before Provision for Losses	2,557	7,420	(12,719)	(33,473)	(34,909)	855
Adjustment—Provision for Losses	0	4,109	(16,624)	0	0	0
Net Income (Loss)	\$ 2,557	\$ 3,311	\$ 3,905	\$(33,473)	\$(34,909)	\$ 855

Note: Totals may not add due to rounding.

Table 30 (continued)
Federal Land Bank Associations Statement of Income by District

(Dollars in Thousands)

For the Year Ended December 31, 1985	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Income						
Applications and Loan Fees	\$ 1,714	\$ 0	\$ 337	\$ 5,163	\$ 0	\$ 1,259
Federal Land Bank Compensation	22,237	16,289	17,942	0	0	9,844
Dividend Income	1	0	0	0	0	0
Interest Income from Notes Receivable and Investments	9,150	54	3,245	11,083	3,639	6,535
Financially Related Services	2,659	0	653	247	251	242
Other Operating Income	27	7,666	37	10	4	110
Gross Income	35,788	24,009	22,214	16,503	3,894	17,990
Expenses						
Directors' Expense	1,037	680	816	554	511	448
Salaries	13,220	13,361	11,271	6,015	5,841	6,205
Annual Leave	0	0	0	109	0	0
Employee Benefits	3,093	3,768	1,979	1,549	1,275	1,619
Purchased Services	729	511	171	497	57	152
Travel Expense	1,123	625	796	614	603	402
Cost of Space Occupied	1,437	1,489	1,081	597	758	762
Communications	876	774	663	363	328	406
Printing and Office Supplies	292	157	220	90	78	78
Furniture and Equipment Expense	540	349	825	205	197	421
Data Processing Service Center	312	894	0	0	0	1
Data Processing Services Purchased	887	58	0	0	301	6
Management Information Services	0	0	0	0	0	0
Advertising	644	257	337	382	140	183
Public and Member Relations	558	419	445	208	347	403
Training	337	78	266	37	97	8
Farmbank Services Expense	0	0	0	0	0	0
Abstracts, Record Reports, Filing, Etc.	65	82	32	15	7	42
Supervisory and Examination Expense	591	0	0	0	0	0
Other Expenses	360	288	153	46	86	116
Subtotal	26,101	23,790	19,055	11,281	10,626	11,252
Miscellaneous Expense Credits	0	218	43	244	41	0
Total Operating Expenses	26,101	23,572	19,012	11,037	10,585	11,252
Gain (Loss) from Operations	9,687	437	3,202	5,466	(6,691)	6,738
Other Additions and Deductions:						
Interest on Investments—Buildings/Premises	0	0	0	6	0	0
Income (Expense)—Office Building or Premises	0	0	11	0	0	0
Income (Expense)—Land/Buildings (Investment)	7	(60)	(6)	0	0	12
Gain (Loss)—Sale of Investment	0	0	0	0	0	0
Other Gains (Losses)	13,838	(29,275)	(44,112)	66	47	167
Net Gains (Losses) on Endorsed Loans	0	0	0	(37)	13	(287)
Total Other Additions and Deductions	13,845	(29,335)	(44,107)	35	60	(108)
Net Gain (Loss) before Provision for Losses	23,532	(28,898)	(40,905)	5,501	(6,631)	6,630
Adjustment—Provision for Losses	33,540	0	0	28,221	0	(328)
Net Income (Loss)	\$(10,008)	\$(28,898)	\$(40,905)	\$(22,720)	\$(6,631)	\$ 6,958

Note: Totals may not add due to rounding.

Table 31
District Federal Land Bank Associations
Nonperforming Loans, Chargeoffs and Financial Ratios

(Dollars in Millions)

For the Year Ended December 31, 1985	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Nonperforming Loans	N/A	N/A	N/A	N/A	N/A	N/A
Formally Restructured	N/A	N/A	N/A	N/A	N/A	N/A
Other Restructured and Reduced Rate	N/A	N/A	N/A	N/A	N/A	N/A
Other High Risk	N/A	N/A	N/A	N/A	N/A	N/A
Nonaccrual	N/A	N/A	N/A	N/A	N/A	N/A
Net Loan Chargeoffs	\$0.0	\$2.5	\$9.4	\$0.0	\$0.0	(a)
Selected Ratios						
Return on Assets (%) (b)	3.24	1.80	1.12	(10.23)	(18.51)	0.26
Return on Equity (%) (b)	3.27	2.08	1.18	(11.52)	(18.59)	0.28
Interest Margin (%)	N/A	N/A	N/A	N/A	N/A	N/A
As of December 31, 1985						
Capital-to-Assets	0.99	0.86	0.99	0.81	0.99	1.00
Debt-to-Capital	0.01	0.01	0.01	0.19	0.01	0.00

N/A Not applicable.

(a) Less than \$50,000.

(b) Based on 6-month net income annualized.

NOTE: Totals may not add due to rounding.

Table 31 (continued)**District Federal Land Bank Associations****Nonperforming Loans, Chargeoffs and Financial Ratios**

(Dollars in Millions)

For the Year Ended December 31, 1985	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Nonperforming Loans	N/A	N/A	N/A	N/A	N/A	N/A
Formally Restructured	N/A	N/A	N/A	N/A	N/A	N/A
Other Restructured and Reduced Rate	N/A	N/A	N/A	N/A	N/A	N/A
Other High Risk	N/A	N/A	N/A	N/A	N/A	N/A
Nonaccrual	N/A	N/A	N/A	N/A	N/A	N/A
Net Loan Chargeoffs	\$38.2	\$0.0	\$0.0	\$0.1	\$0.0	\$0.1
Selected Ratios						
Return on Assets (%) (a)	(2.06)	(8.42)	(12.99)	2.04	(2.15)	2.61
Return on Equity (%) (a)	(2.27)	(8.75)	(13.33)	2.17	(2.15)	2.82
Net Interest Margin (%)	N/A	N/A	N/A	N/A	N/A	N/A
As of December 31, 1985						
Capital-to-Assets Ratio	0.86	0.90	0.94	0.94	1.00	0.93
Debt-to-Capital Ratio	0.12	0.11	0.06	0.01	0.0	0.01

N/A Not applicable.

(a) Based on 6-month net income annualized.

NOTE: Totals may not add due to rounding.

Table 32**Federal Intermediate Credit Banks Combined Statement of Condition**

(Dollars in Thousands)

As of December 31	1985	1984	Percent Change
Assets			
Loans and Discounts:			
PCAs	\$12,928,713	\$16,081,006	(19.60)
Other Financing Institutions	536,877	875,204	(38.66)
Participation Loans—PCAs	61,985	25,814	140.12
Other Participations	3,092	9,190	(66.35)
Sales Contracts, Notes, Etc.	3,810	2,144	77.66
Nonaccrual Loans	193,084	280,939	(31.27)
Accrued Interest Receivable on Loans	323,053	572,840	(43.61)
Gross Loan and Discount Items	14,050,613	17,847,139	(21.27)
Less: Allowance for Losses	144,914	29,271	395.08
Less: Unapplied Loan Payments	36,449	0	N/A
Net Loan and Discount Items	13,869,249	17,817,868	(22.16)
Cash	73,073	70,394	3.81
Investments:			
U.S. Government Securities (Par)	122,995	48,338	154.45
Securities Government Supervised Institutions (Par)	100,225	142,947	(29.89)
Other Securities and Federal Funds	1,850,468	1,069,605	73.00
Investment in DBC Bankers Acceptances (Par)	40,500	0	N/A
Unamortized Premium or Discount (Net)	(4,785)	(4,865)	(1.64)
Unamortized Defer Gain/Loss Security Sales (Net)	324	1,642	(80.30)
Total Investment in Securities	2,109,726	1,257,667	67.75
Investments in PCAs:			
Paid in Surplus (Net)	(450)	811	(155.46)
Class A Stock	0	19,640	(100.00)
Class B Stock	2,589	0	N/A
Class D Stock	47,534	36,624	29.79
Total Investments in PCAs	49,674	57,076	(12.97)
Notes Receivable Farm Credit Banks and Other	170,598	40,063	325.83
Accounts Receivable	50,620	8,451	499.01
Accrued Interest Receivable—Other Farm Credit Banks	1,085	265	309.67
Accrued Interest Receivable—Investments	11,113	18,292	(39.24)
Acquired Property:			
Investments and Operations	28,623	5,487	421.68
Less: Allowance for Losses	6,037	2,009	200.50
Less: Accumulated Depreciation	2	2	0.00
Net Acquired Property	22,583	3,475	549.82
Land, Buildings, and Equipment	80,048	71,830	11.44
Less: Accumulated Depreciation	14,369	13,452	6.82
Net Land, Buildings, and Equipment	65,680	58,379	12.51
Prepaid Expenses and Other Assets	25,708	29,264	(12.15)
Total Assets	\$16,449,110	\$19,361,194	(15.04)
Liabilities and Net Worth			
Notes Payable:			
Other Farm Credit Banks	\$ 8,402	\$ 2,206	280.92
Consolidated Systemwide Notes	2,800,471	660,852	323.77
Commercial Banks and Other	279,952	16,719	1,574.41
Securities Sold Under Agreement to Repurchase	0	35,125	(100.00)
Total Notes Payable	3,088,825	714,902	332.06
Accounts Payable	117,242	21,398	447.91
Accrued Interest Payable	344,730	606,952	(43.20)
Unmatured Consolidated and Systemwide Bonds	11,024,436	16,029,075	(31.22)
Less: Consolidated Bonds Owned	88,154	38,035	131.77
Net Consolidated and Systemwide Bonds Outstanding	10,936,282	15,991,040	(31.61)
Unmatured Farm Credit Investment Bonds Outstanding	28,218	12	*****1
Matured Farm Credit Investment Bonds Outstanding	3	0	N/A
Other Liabilities	66,778	28,286	136.08
Total Liabilities	14,582,078	17,362,590	(16.01)
Capital Stock:			
Class B Stock—PCAs	1,341,253	1,346,787	(0.41)
Participation Certificates	61,287	78,624	(22.05)
Total Capital Stock	1,402,541	1,425,411	(1.60)
Earned Net Worth:			
Surplus Reserved	63,067	63,067	0.00
Surplus Unallocated	30,913	30,913	0.00
Legal Reserve	356,385	446,375	(20.16)
Reserve for Contingencies—Unallocated	14,127	32,838	(56.98)
Undistributed Earnings	0	0	0.00
Total Earned Net Worth	464,491	573,192	(18.96)
Total Net Worth	1,867,032	1,998,604	(6.58)
Total Liabilities and Net Worth	\$16,449,110	\$19,361,194	(15.04)

¹Percent Change exceeds 9999.99 or (999.99).

N/A Not applicable.

NOTE: Totals may not add due to rounding.

Table 33**Federal Intermediate Credit Banks Statement of Condition by District**

(Dollars in Thousands)

As of December 31, 1985	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Assets						
Loans and Discounts:						
PCAs	\$583,127	\$627,150	\$1,271,001	\$1,133,346	\$453,139	\$ 747,098
Other Financing Institutions	587	3,130	1,497	10,031	62,556	21,140
Participation Loans—PCAs	0	35,903	0	0	22,432	521
Other Participations	0	(10,353)	0	0	0	0
Sales Contracts, Notes, Etc.	0	0	0	0	0	0
Nonaccrual Loans	591	786	35,948	1,959	725	1,589
Accrued Interest Receivable on Loans	5	5,374	12,250	78,541	14,276	22,013
Gross Loan and Discount Items	584,310	661,990	1,320,695	1,223,877	553,127	792,361
Less: Allowance for Losses	230	919	18,870	22,600	3,787	5,706
Less: Unapplied Loan Payments	0	0	0	0	0	13,176
Net Loan and Discount Items	584,080	661,071	1,301,825	1,201,277	549,341	773,479
Cash	4,410	(3,942)	695	3,487	547	14,808
Investments:						
U.S. Government Securities (Par)	0	1,770	0	3,000	0	0
Securities Government Supervised Institutions (Par)	0	0	5,600	23,234	0	0
Other Securities and Federal Funds	65,000	172,492	192,962	136,873	43,348	210,517
Investment in DBC Bankers Acceptances (Par)	0	0	0	0	0	0
Unamortized Premium or Discount (Net)	0	(13)	(48)	(603)	0	0
Unamortized Defer Gain/Loss Security Sales (Net)	0	0	247	0	0	0
Total Investment in Securities	65,000	174,249	198,761	162,504	43,348	210,517
Investments in PCAs:						
Paid in Surplus (Net)	0	0	0	0	0	300
Class A Stock	0	0	0	0	0	0
Class B Stock	0	0	0	0	2,589	0
Class D Stock	0	0	4,376	0	8,000	7,333
Total Investments in PCAs	0	0	4,376	0	10,589	7,633
Notes Receivable Farm Credit Banks and Other	0	11,646	20,400	4,000	50,291	0
Accounts Receivable	248	272	712	4,137	409	384
Accrued Interest Receivable—Other Farm Credit Banks	32	127	172	62	250	0
Accrued Interest Receivable—Investments	59	2,570	1,826	656	73	108
Acquired Property:						
Investments and Operations	139	156	9,696	460	170	905
Less: Allowance for Losses	0	12	1,870	35	13	281
Less: Accumulated Depreciation	0	0	0	0	0	0
Net Acquired Property	139	144	7,826	425	157	624
Land, Buildings, and Equipment	1,135	0	2,618	3,635	8,254	10,324
Less: Accumulated Depreciation	240	0	1,101	819	776	2,127
Net Land, Buildings, and Equipment	895	0	1,517	2,816	7,479	8,197
Prepaid Expenses and Other Assets	553	944	2,169	3,883	1,988	2,050
Total Assets	\$655,417	\$847,082	\$1,540,279	\$1,383,247	\$664,473	\$1,017,800
Liabilities and Net Worth						
Notes Payable:						
Other Farm Credit Banks	\$ 3,502	\$ 0	\$ 0	\$ 0	\$ 2,000	\$ 0
Consolidated Systemwide Notes	111,053	129,141	29,847	29,919	55,745	0
Commercial Banks and Other	0	12,301	30,782	26,949	12,083	18,870
Securities Sold Under Agreement to Repurchase	0	0	0	0	0	0
Total Notes Payable	114,555	141,442	60,629	56,869	69,828	18,870
Accounts Payable	6,869	2,237	3,610	1,417	4,768	2,270
Accrued Interest Payable	14,443	15,838	34,101	36,437	12,566	25,737
Unmatured Consolidated and Systemwide Bonds	459,015	582,000	1,230,250	1,027,448	475,801	820,000
Less: Consolidated Bonds Owned	0	0	38,000	0	0	0
Net Consolidated & Systemwide Bonds Outstanding	459,015	582,000	1,192,250	1,027,448	475,801	820,000
Unmatured Farm Credit Investment Bonds Outstanding	0	28,209	0	0	0	0
Matured Farm Credit Investment Bonds Outstanding	0	0	0	0	0	0
Other Liabilities	33	280	1,176	241	205	273
Total Liabilities	594,915	770,005	1,291,766	1,122,411	563,168	867,150
Capital Stock:						
Class B Stock—PCAs	42,209	50,477	172,779	199,213	67,826	103,388
Participation Certificates	118	360	181	562	8,042	1,708
Total Capital Stock	42,327	50,837	172,960	199,775	75,867	105,096
Earned Net Worth:						
Surplus Reserved	4,593	4,177	3,701	5,273	4,105	4,819
Surplus Unallocated	367	431	2,092	3,153	1,332	2,880
Legal Reserve	13,214	17,579	67,391	52,634	20,000	34,855
Reserve for Contingencies—Unallocated	0	4,053	2,370	0	0	3,001
Undistributed Earnings	0	0	0	0	0	0
Total Earned Net Worth	18,175	26,240	75,554	61,060	25,437	45,554
Total Net Worth	60,502	77,077	248,514	260,835	101,305	150,650
Total Liabilities and Net Worth	\$655,417	\$847,082	\$1,540,279	\$1,383,247	\$664,473	\$1,017,800

NOTE: Totals may not add due to rounding.

Table 33 (continued)**Federal Intermediate Credit Banks Statement of Condition by District**

(Dollars in Thousands)

As of December 31, 1985	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Assets						
Loans and Discounts:						
PCAs	\$2,299,443	\$1,108,063	\$784,748	\$ 868,465	\$2,423,594	\$629,539
Other Financing Institutions	56,303	59,238	69,761	183,059	66,252	3,325
Participation Loans—PCAs	0	0	0	3,129	0	0
Other Participations	0	0	0	0	0	13,445
Sales Contracts, Notes, Etc.	0	68	1,996	1,745	0	0
Nonaccrual Loans	14,832	26,698	1,122	58,344	29,445	21,045
Accrued Interest Receivable on Loans	68,087	13,861	7,931	8,288	84,757	7,669
Gross Loan and Discount Items	2,438,666	1,207,927	865,559	1,123,030	2,604,048	675,022
Less: Allowance for Losses	43,750	5,700	13,974	11,760	12,921	4,698
Less: Unapplied Loan Payments	20,026	1,071	0	2,177	0	0
Net Loan and Discount Items	2,374,889	1,201,157	851,585	1,109,094	2,591,127	670,324
Cash	23,003	3,352	2,166	3,299	16,357	4,890
Investments:						
U.S. Government Securities (Par)	85,000	18,225	10,000	0	0	5,000
Securities Government Supervised Institutions (Par)	28,683	1,000	17,000	0	5,000	19,708
Other Securities and Federal Funds	195,148	142,941	59,631	287,253	292,325	51,977
Investment in DBC Bankers Acceptances (Par)	0	0	0	0	0	40,500
Unamortized Premium or Discount (Net)	(2,610)	(582)	225	(41)	(2)	(1,111)
Unamortized Defer Gain/Loss Security Sales (Net)	0	76	0	0	0	0
Total Investment in Securities	306,220	161,660	86,857	287,213	297,323	116,074
Investments in PCAs:						
Paid in Surplus (Net)	0	0	0	(750)	0	0
Class A Stock	0	0	0	0	0	0
Class B Stock	0	0	0	0	0	0
Class D Stock	0	0	22,055	1,770	0	4,000
Total Investments in PCAs	0	0	22,055	1,020	0	4,000
Notes Receivable Farm Credit Banks and Other	31,597	783	20	0	1,061	50,800
Accounts Receivable	1,688	41,744	1,109	274	1,364	(4)
Accrued Interest Receivable—Other Farm Credit Banks	205	186	0	0	12	39
Accrued Interest Receivable—Investments	838	1,311	451	929	1,925	367
Acquired Property:						
Investments and Operations	701	2,353	264	3,343	10,241	196
Less: Allowance for Losses	53	1,400	20	1,809	545	0
Less: Accumulated Depreciation	0	0	0	2	0	0
Net Acquired Property	648	953	244	1,532	9,696	196
Land, Buildings, and Equipment	13,299	3,632	18,705	11,098	6,149	1,199
Less: Accumulated Depreciation	3,671	1,134	1,654	686	1,885	275
Net Land, Buildings, and Equipment	9,628	2,499	17,051	10,411	4,264	923
Prepaid Expenses and Other Assets	4,348	1,879	1,541	2,467	2,131	1,756
Total Assets	\$2,753,065	\$1,415,524	\$983,078	\$1,416,238	\$2,925,260	\$849,365
Liabilities and Net Worth						
Notes Payable:						
Other Farm Credit Banks	\$ 2,900	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Consolidated Systemwide Notes	446,875	233,734	150,774	486,445	922,798	204,139
Commercial Banks and Other	53,298	33,349	0	22,091	49,795	20,435
Securities Sold Under Agreement to Repurchase	0	0	0	0	0	0
Total Notes Payable	503,073	267,083	150,774	508,536	972,593	224,574
Accounts Payable	2,499	70,525	19,380	509	1,375	3,502
Accrued Interest Payable	57,149	28,738	22,971	20,819	55,068	20,863
Unmatured Consolidated and Systemwide Bonds	1,916,256	948,256	639,769	765,406	1,651,755	508,480
Less: Consolidated Bonds Owned	154	50,000	0	0	0	0
Net Consolidated & Systemwide Bonds Outstanding	1,916,102	898,256	639,769	765,406	1,651,755	508,480
Unmatured Farm Credit Investment Bonds Outstanding	9	0	0	0	0	0
Matured Farm Credit Investment Bonds Outstanding	3	0	0	0	0	0
Other Liabilities	19,350	517	1,105	5,342	36,619	1,638
Total Liabilities	2,498,184	1,265,119	833,999	1,300,613	2,717,410	759,057
Capital Stock:						
Class B Stock—PCAs	201,574	135,681	97,226	57,557	147,251	66,075
Participation Certificates	8,595	7,412	9,437	12,491	4,473	7,910
Total Capital Stock	210,168	143,093	106,663	70,047	151,723	73,984
Earned Net Worth:						
Surplus Reserved	7,049	6,069	5,257	7,593	4,541	5,890
Surplus Unallocated	1,818	1,244	1,507	14,007	1,260	821
Legal Reserve	35,845	0	35,623	23,562	49,813	5,868
Reserve for Contingencies—Unallocated	0	0	30	416	512	3,746
Undistributed Earnings	0	0	0	0	0	0
Total Earned Net Worth	44,713	7,312	42,417	45,578	56,126	16,324
Total Net Worth	254,881	150,405	149,079	115,626	207,850	90,308
Total Liabilities and Net Worth	\$2,753,065	\$1,415,524	\$983,078	\$1,416,238	\$2,925,260	\$849,365

NOTE: Totals may not add due to rounding.

Table 34**Federal Intermediate Credit Banks Combined Statement of Income**

(Dollars in Thousands)

For the Year Ended December 31	1985	1984	Percent Change
Income			
Loan Interest Income:			
Loans and Discounts	\$1,672,489	\$2,050,457	(18.43)
Sales Contracts	299	267	11.88
Notes Receivable Other Farm Credit Banks	3,170	1,102	187.76
Other Interest Income	190	425	(55.28)
Total Interest Income from Loans	1,676,148	2,052,250	(18.33)
Income from Investments (Net)	121,988	107,826	13.33
Other Operating Income	(13,266)	340	(*****) ¹
Gross Income	1,784,870	2,160,416	(17.38)
Notes and Bonds Expense:			
Cost of Bonds	1,344,579	1,766,906	(23.90)
Interest on Notes Payable	164,797	130,652	26.13
Total Cost of Borrowed Funds	1,509,376	1,897,558	(20.46)
Compensation Expense—Participations Purchased	82	86	(5.22)
Operating Expense	104,372	92,754	12.53
Total Expenses	1,613,830	1,990,398	(18.92)
Net Gain (Loss) from Operations	171,040	170,018	0.60
Other Additions/Deductions:			
Gain (Loss)—Sale of Investment	26	(7)	(446.25)
Income (Expense)—Office Building or Premises	13	25	(47.94)
Income (Expense)—Land/Buildings (Investment)	(27)	18	(252.23)
Income (Expense)—Acquired Property	(77)	(245)	(68.76)
Gain (Loss)—Disposition of Acquired Property	76	142	(46.09)
Provision for Losses—Acquired Property	(4,065)	(272)	1,394.84
Income (Expense)—Mineral Reservations	102	127	(19.76)
Other Gains (Losses)	(96,119)	(5,605)	1,614.81
Total Other Additions and Deductions	(100,070)	(5,818)	1,619.89
Net Gain (Loss) before Provision for Losses	70,970	164,200	(56.78)
Provision for Losses on Loans	160,276	40,950	291.39
Net Income (Loss)	\$ (89,306)	\$ 123,250	(172.46)

¹Percent Change exceeds 9999.99 or (999.99).

NOTE: Totals may not add due to rounding.

Table 35
Federal Intermediate Credit Banks Statement of Income by District

(Dollars in Thousands)

For the Year Ended December 31, 1985	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Income						
Loan Interest Income:						
Loans and Discounts	\$61,600	\$70,166	\$171,903	\$143,239	\$65,963	\$100,434
Sales Contracts	0	0	0	0	0	0
Notes Receivable Other Farm Credit Banks	197	571	190	238	1,068	0
Other Interest Income	2	0	0	1	0	0
Total Interest Income from Loans	61,799	70,738	172,093	143,477	67,031	100,434
Income from Investments (Net)	4,971	9,073	9,231	7,261	2,912	8,175
Other Operating Income	330	16	8	0	34	29
Gross Income	67,100	79,827	181,332	150,738	69,977	108,639
Notes and Bonds Expense:						
Cost of Bonds	44,471	60,002	134,108	120,570	54,939	83,747
Interest on Notes Payable	10,554	7,462	3,404	2,730	3,044	6,829
Total Cost of Borrowed Funds	55,025	67,464	137,512	123,300	57,983	90,576
Compensation Expense—Participations Purchased	0	0	0	0	0	0
Operating Expense	6,208	5,959	6,280	9,347	5,843	12,722
Total Expenses	61,233	73,423	143,792	132,647	63,826	103,297
Net Gain (Loss) from Operations	5,868	6,403	37,540	18,090	6,151	5,342
Other Additions/Deductions:						
Gain (Loss)—Sale of Investment	0	0	0	12	367	0
Income (Expense)—Office Building or Premises	85	0	0	0	(4)	0
Income (Expense)—Land/Buildings (Investment)	0	0	0	0	(29)	0
Income (Expense)—Acquired Property	0	0	(8)	1	0	4
Gain (Loss)—Disposition of Acquired Property	0	0	3	0	0	0
Provision for Losses—Acquired Property	0	(12)	(1,872)	(35)	(13)	(225)
Income (Expense)—Mineral Reservations	0	0	0	0	0	0
Other Gains (Losses)	(898)	(1,040)	(3,920)	(3,858)	(1,151)	(3,021)
Total Other Additions and Deductions	(812)	(1,052)	(5,798)	(3,881)	(830)	(3,243)
Net Gain (Loss) before Provision for Losses	5,055	5,352	31,743	14,210	5,322	2,099
Provision for Losses on Loans	250	424	28,242	18,763	1,097	3,508
Net Income (Loss)	\$ 4,805	\$ 4,928	\$ 3,501	\$ (4,553)	\$ 4,225	\$ (1,409)

NOTE: Totals may not add due to rounding.

Table 36
District Federal Intermediate Credit Banks
Nonperforming Loans, Chargeoffs and Financial Ratios

(Dollars in Millions)

For the Year Ended December 31, 1985	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Nonperforming Loans	\$0.6	\$67.3	\$471.7	\$623.1	\$85.7	\$100.9
Formally Restructured	0.0	0.0	35.0	0.4	0.0	0.0
Other Restructured and Reduced Rate	0.0	0.0	0.0	0.0	62.6	0.0
Other High Risk	0.0	66.5	400.8	620.7	22.4	99.3
Nonaccrual	\$0.6	0.8	35.9	2.0	0.7	1.6
Net Loan Chargeoffs	(a)	\$ 0.1	\$ 9.7	\$ 1.2	\$ 0.0	\$ 0.3
Selected Ratios						
Return on Assets (%)	0.72	0.61	0.21	(0.28)	0.58	(0.12)
Return on Equity (%)	7.83	6.31	1.39	(1.71)	(4.04)	(0.92)
Net Interest Margin (%)	1.78	1.54	2.65	1.81	1.73	1.65
As of December 31, 1985						
Capital-to-Assets Ratio	0.09	0.09	0.16	0.19	0.15	0.15
Debt-to-Capital Ratio	9.83	9.99	5.20	4.30	5.56	5.76

(a) Less than \$50,000.

NOTE: Totals may not add due to rounding.

Table 35 (continued)**Federal Intermediate Credit Banks Statement of Income by District**

(Dollars in Thousands)

For the Year Ended December 31, 1985	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Income						
Loan Interest Income:						
Loans and Discounts	\$304,709	\$171,119	\$105,315	\$113,519	\$273,220	\$91,301
Sales Contracts	0	6	110	183	0	0
Notes Receivable Other Farm Credit Banks	586	3	0	0	136	179
Other Interest Income	0	80	0	0	107	0
Total Interest Income from Loans	305,295	171,208	105,425	113,702	273,464	91,481
Income from Investments (Net)	21,236	12,025	5,719	21,769	13,487	6,129
Other Operating Income	(164)	2,688	164	4	11	6
Gross Income	326,368	185,921	111,308	135,475	286,962	97,615
Notes and Bonds Expense:						
Cost of Bonds	249,429	134,443	80,881	93,925	213,372	74,692
Interest on Notes Payable	27,583	15,382	7,567	27,273	41,616	11,355
Total Cost of Borrowed Funds	277,012	149,824	88,448	121,198	254,987	86,047
Compensation Expense—Participations Purchased	0	0	0	0	0	82
Operating Expense	13,953	9,597	9,527	7,369	10,306	7,261
Total Expenses	290,965	159,421	97,975	128,567	265,294	93,390
Net Gain (Loss) from Operations	35,403	26,500	13,333	6,908	21,668	4,225
Other Additions/Deductions:						
Gain (Loss)—Sale of Investment	47	0	0	(554)	154	0
Income (Expense)—Office Building or Premises	0	0	(2)	(65)	0	(1)
Income (Expense)—Land/Buildings (Investment)	0	3	0	0	0	0
Income (Expense)—Acquired Property	(1)	116	1	(15)	(175)	0
Gain (Loss)—Disposition of Acquired Property	0	2	0	71	0	0
Provision for Losses—Acquired Property	(53)	(1,372)	(20)	82	(545)	0
Income (Expense)—Mineral Reservations	0	0	0	102	0	0
Other Gains (Losses)	(31,292)	(61,476)	(1,705)	(2,082)	(3,833)	1,764
Total Other Additions and Deductions	(31,299)	(62,727)	(1,727)	(2,461)	(4,398)	1,763
Net Gain (Loss) before Provision for Losses	4,104	(36,228)	11,607	4,448	7,270	5,989
Provision for Losses on Loans	47,251	12,310	14,012	11,171	21,006	2,243
Net Income (Loss)	\$ (43,147)	\$ (48,538)	\$ (2,405)	\$ (6,723)	\$ (3,736)	\$ 3,746

NOTE: Totals may not add due to rounding.

Table 36 (continued)**District Federal Intermediate Credit Banks****Nonperforming Loans, Chargeoffs and Financial Ratios**

(Dollars in Millions)

For the Year Ended December 31, 1985	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Nonperforming Loans	\$1,064.3	\$1,188.1	\$212.4	\$89.0	\$496.2	\$664.0
Formally Restructured	582.4	0.1	23.9	0.0	367.9	0.0
Other Restructured and Reduced Rate	0.0	0.0	0.0	0.0	0.0	0.0
Other High Risk	467.1	1,161.3	187.4	30.7	98.9	643.0
Nonaccrual	14.8	26.7	\$ 1.1	\$58.3	29.4	21.0
Net Loan Chargeoffs	\$ 3.5	\$ 10.4	(a)	(a)	\$ 8.1	\$ 5.2
Selected Ratios						
Return on Assets (%)	(1.39)	(2.71)	(0.22)	(0.48)	(0.13)	0.36
Return on Equity (%)	(14.46)	(26.52)	(1.53)	(5.32)	(1.75)	4.27
Net Interest Margin (%)	1.64	2.00	2.14	1.04	1.17	1.29
As of December 31, 1985						
Capital-to-Assets Ratio	0.09	0.11	0.15	0.08	0.07	0.11
Debt-to-Capital Ratio	9.80	8.41	5.59	11.25	13.07	8.41

(a) Less than \$50,000.

NOTE: Totals may not add due to rounding.

Table 37**Production Credit Associations Combined Statement of Condition**

(Dollars in Thousands)

As of December 31	1985	1984	Percent Change
Assets			
Loans: To Members (Net)	\$13,340,682	\$17,638,079	(24.36)
Lease Receivable	24,329	18,707	30.05
Sales, Contracts, Notes, Etc.	90,226	81,507	10.69
Nonaccrual	942,640	636,566	48.08
Accounts Receivable—From Members	7,425	7,961	(6.73)
Accrued Interest Receivable on Loans	507,933	753,172	(32.56)
Gross Loan Items	14,913,235	19,135,985	(22.06)
Less: Allowance for Losses	677,822	489,384	38.50
Net Loan Items	14,235,413	18,646,601	(23.65)
Cash	26,935	43,984	(38.76)
Investments: U.S. Government Securities (Par)	147	10,915	(98.65)
Securities Government Supervised Institutions (Par)	485	545	(11.00)
Other Bonds and Securities (Par)	271	76	256.57
Investment in DBC Bankers Acceptances (Par)	470	0	0.00
Unamortized Premium or Discount (Net)	(18)	54	133.33
Total Investment in Securities	1,355	11,590	(88.30)
Investments in Farm Credit Institutions: FICB Class B Stock (Par)	1,341,252	1,346,446	(0.38)
Equity in FICB Allocated to Legal Reserve	346,254	429,348	(19.35)
Participation Certificates—PCAs	0	0	0.00
Total Investment in Farm Credit Institutions	1,687,506	1,775,794	(4.97)
Soil, Water, and Farm Ownership Programs	17	18	(5.55)
Investment in Farmers' Notes to Cooperatives and Dealers	6,525	9,715	(32.83)
Notes Receivable from Farm Credit Banks and Other	33,888	28,777	17.76
Accounts Receivable—Other than Members	47,024	17,075	175.40
Accrued Interest Receivable—Other Farm Credit Banks	1,332	1,084	22.87
Accrued Interest Receivable—Investments	316	371	(14.82)
Acquired Property	254,778	199,464	27.73
Less: Allowance for Losses	69,044	15,224	353.52
Less: Accumulated Depreciation	1,911	1,242	53.86
Net Acquired Property	183,823	182,998	0.45
Acquired Property—Operations	876	424	106.60
Less: Accumulated Depreciation	71	46	54.34
Net Acquired Property—Operations	805	378	112.96
Land, Buildings, and Equipment	311,900	325,985	(4.32)
Less: Accumulated Depreciation	108,409	100,858	7.48
Net Land, Buildings, and Equipment	203,491	225,127	(9.61)
Prepaid Expenses and Other Assets	42,867	27,001	58.76
Total Assets	\$16,471,297	\$20,970,513	(21.45)
Liabilities and Net Worth			
Drafts Outstanding	\$ 6,227	\$ 20,570	(69.72)
Notes Payable: Federal Intermediate Credit Banks	12,915,923	16,028,992	(19.42)
Other Notes Payable	129,157	60,122	114.82
Total Notes Payable	13,045,080	16,089,114	(18.91)
Accounts Payable	23,379	18,083	29.28
Accrued Interest Payable	313,494	558,712	(43.88)
Trust Accounts	3,294	2,904	13.42
Dividend and Patronage Distributions Payable	887	1,390	(36.18)
Loans Rediscounted with FICB	199,731	342,737	(41.72)
Provision for Federal and Other Income Taxes	6,476	16,769	(61.38)
Undistributed Dividends—Credit Life Insurance	397	375	5.86
Other Liabilities	40,657	42,526	(4.40)
Total Liabilities	13,639,622	17,093,180	(20.20)
Capital Stock: Class A Stock—FICBs	0	4,000	(100.00)
Class A Stock—Members	24,863	29,006	(14.28)
Class B Stock—Members	1,433,276	1,785,419	(19.72)
Class C Stock—FICBs	1,804	0	0.00
Class C Stock—Members	2,589	16,187	(74.58)
Class D Stock	53,534	48,175	11.12
Participation Certificates	22,919	28,240	(18.84)
Total Capital Stock	1,538,985	1,905,027	(19.21)
Earned Net Worth: Equity Reserve	0	0	0.00
Paid in Surplus—FICBs	300	811	(63.00)
Surplus Reserved	1,288,747	1,946,505	(33.79)
Surplus Allocated	9,173	11,057	(17.03)
Earnings Reserved for Stock Dividends	6	7	(14.28)
Earnings Reserved for Patronage Distribution	185	145	27.58
Undistributed Earnings	(5,720)	13,954	(140.99)
Total Earned Net Worth	1,292,691	1,972,479	(34.46)
Total Net Worth	2,831,676	3,877,506	(26.97)
Total Liabilities and Net Worth	\$16,471,297	\$20,970,686	(21.45)

NOTE: Totals may not add due to rounding.

Table 38
Production Credit Associations Statement of Condition by District

(Dollars in Thousands)

As of December 31	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Assets						
Loans: To Members (Net)	\$640,665	\$698,753	\$1,250,502	\$1,108,027	\$500,227	\$ 815,519
Lease Receivable	0	13	0	0	0	3,341
Sales, Contracts, Notes, Etc.	2,220	679	4,082	17,909	2,637	3,487
Nonaccrual	7,266	10,134	75,079	101,803	9,901	48,131
Accounts Receivable—From Members	18	197	2,070	614	303	485
Accrued Interest Receivable on Loans	8,573	15,970	45,784	44,131	14,812	41,707
Gross Loan Items	658,742	725,748	1,377,517	1,272,484	527,880	912,670
Less: Allowance for Losses	22,944	25,532	49,485	48,689	24,971	44,228
Net Loan Items	635,798	700,214	1,328,032	1,223,795	502,909	868,442
Cash	4,907	594	4,522	8,245	1,550	(15,675)
Investments: U.S. Government Securities (Par)	0	0	93	0	0	0
Securities Government Supervised Institutions (Par)	0	0	485	0	0	0
Other Bonds and Securities (Par)	0	10	0	0	151	0
Investment in DBC Bankers Acceptances (Par)	0	0	0	0	0	0
Unamortized Premium or Discount (Net)	0	0	(15)	0	0	0
Total Investment in Securities	0	10	563	0	151	0
Investments in Farm Credit Institutions: FICB Class B Stock (Par)	42,209	50,477	172,778	199,213	67,826	103,388
Equity in FICB Allocated to Legal Reserve	13,214	17,472	67,322	52,453	19,369	34,320
Participation Certificates—PCAs	0	0	0	0	0	0
Total Investment in Farm Credit Institutions	55,423	67,949	240,100	251,666	87,195	137,708
Soil, Water, and Farm Ownership Programs	0	0	4	0	5	0
Investment in Farmers' Notes to Cooperatives and Dealers	1,619	639	2,822	505	346	0
Notes Receivable from Farm Credit Banks and Other	55	420	21,521	3,260	332	1,045
Accounts Receivable—Other than Members	5,628	646	1,834	12,898	3,729	2,521
Accrued Interest Receivable—Other Farm Credit Banks	0	97	663	74	14	31
Accrued Interest Receivable—Investments	6	10	158	67	37	0
Acquired Property	1,178	2,756	26,864	37,114	6,277	17,635
Less: Allowance for Losses	24	372	5,311	9,456	2,533	6,066
Less: Accumulated Depreciation	0	0	48	688	0	21
Net Acquired Property	1,154	2,345	21,505	26,970	3,744	12,548
Acquired Property—Operations	0	0	0	181	0	175
Less: Accumulated Depreciation	0	0	0	0	0	0
Net Acquired Property—Operations	0	0	0	181	0	175
Land, Buildings, and Equipment	6,772	11,853	29,707	36,154	13,293	34,466
Less: Accumulated Depreciation	2,800	3,343	11,125	12,696	5,544	12,962
Net Land, Buildings, and Equipment	3,972	8,510	18,582	23,458	7,749	21,504
Prepaid Expenses and Other Assets	745	275	3,758	2,350	945	507
Total Assets	\$709,307	\$781,709	\$1,644,064	\$1,553,469	\$608,706	\$1,027,806
Liabilities and Net Worth						
Drafts Outstanding	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,668
Notes Payable: Federal Intermediate Credit Banks	583,127	627,093	1,270,640	933,615	454,218	734,383
Other Notes Payable	9,215	217	9,562	2,982	490	5,444
Total Notes Payable	592,342	627,310	1,280,202	936,597	454,708	739,827
Accounts Payable	211	444	2,176	10,416	657	648
Accrued Interest Payable	0	5,186	13,208	78,152	12,393	21,746
Trust Accounts	(864)	0	1,421	391	743	2
Dividend and Patronage Distributions Payable	320	140	65	52	31	31
Loans Rediscounted with FICB	0	0	0	199,731	0	0
Provision for Federal and Other Income Taxes	629	75	1,726	387	17	310
Undistributed Dividends—Credit Life Insurance	0	0	0	0	0	0
Other Liabilities	38	1,404	507	4,983	240	2,183
Total Liabilities	592,676	634,559	1,299,305	1,230,709	468,789	767,415
Capital Stock: Class A Stock—FICBs	0	0	0	0	0	0
Class A Stock—Members	2,905	5,844	3,806	4,566	2,193	1,886
Class B Stock—Members	53,060	51,143	144,714	125,940	67,855	97,642
Class C Stock—FICBs	0	0	0	0	0	1,804
Class C Stock—Members	0	0	0	0	2,589	0
Class D Stock	0	0	4,376	0	8,000	7,333
Participation Certificates	680	993	8,714	980	496	319
Total Capital Stock	56,645	57,980	161,610	131,486	81,133	108,984
Earned Net Worth: Equity Reserve	0	0	0	0	0	0
Paid in Surplus—FICBs	0	0	0	0	0	300
Surplus Reserved	59,988	89,078	188,236	190,525	55,301	146,818
Surplus Allocated	0	0	330	749	0	4,286
Earnings Reserved for Stock Dividends	0	1	3	0	1	0
Earnings Reserved for Patronage Distribution	0	0	0	0	0	0
Undistributed Earnings	0	0	(5,423)	0	3,481	0
Total Earned Net Worth	59,988	89,171	183,146	191,274	58,783	151,404
Total Net Worth	116,633	147,151	344,756	322,760	139,916	260,388
Total Liabilities and Net Worth	\$709,309	\$781,710	\$1,644,061	\$1,553,469	\$608,705	\$1,027,803

NOTE: Totals may not add due to rounding.

Table 38 (continued)**Production Credit Associations Statement of Condition by District**

(Dollars in Thousands)

As of December 31, 1985	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Assets						
Loans: To Members (Net)	\$2,392,002	\$ 856,162	\$ 829,204	\$1,057,817	\$2,513,120	\$678,685
Lease Receivable	20,976	0	0	0	0	0
Sales, Contracts, Notes, Etc.	18,842	10,356	6,674	5,625	9,804	7,910
Nonaccrual	152,161	262,533	49,907	19,993	130,932	74,799
Accounts Receivable—From Members	1,166	1,814	138	314	202	106
Accrued Interest Receivable on Loans	57,223	67,753	46,344	40,951	106,941	17,744
Gross Loan Items	2,642,370	1,198,618	932,267	1,124,700	2,760,999	779,244
Less: Allowance for Losses	135,164	120,285	71,915	46,811	50,334	37,467
Net Loan Items	2,507,206	1,078,333	860,352	1,077,889	2,710,666	741,777
Cash	413	6,278	7,787	4,261	2,595	1,459
Investments: U.S. Government Securities (Par)	37	0	0	17	0	0
Securities Government Supervised Institutions (Par)	0	0	0	0	0	0
Other Bonds and Securities (Par)	111	0	0	0	0	0
Investment in DBC Bankers Acceptances (Par)	0	470	0	0	0	0
Unamortized Premium or Discount (Net)	(2)	0	0	(1)	0	0
Total Investment in Securities	146	470	0	16	0	0
Investments in Farm Credit Institutions: FICB Class B Stock (Par)	201,574	135,681	97,226	57,557	147,251	66,075
Equity in FICB Allocated to Legal Reserve	34,791	0	33,211	20,510	48,129	5,464
Participation Certificates—PCAs	0	0	0	115	4,783	0
Total Investment in Farm Credit Institutions	236,365	135,681	130,437	78,182	200,163	71,539
Soil, Water, and Farm Ownership Programs	0	0	0	0	0	8
Investment in Farmers' Notes to Cooperatives and Dealers	593	0	0	0	0	0
Notes Receivable from Farm Credit Banks and Other	1,620	969	2,492	225	945	1,004
Accounts Receivable—Other than Members	924	26,611	1,315	440	303	1,282
Accrued Interest Receivable—Other Farm Credit Banks	31	186	71	15	0	151
Accrued Interest Receivable—Investments	38	0	0	0	0	0
Acquired Property	52,158	50,257	9,516	14,069	23,204	13,750
Less: Allowance for Losses	14,840	22,636	1,913	471	2,368	3,016
Less: Accumulated Depreciation	593	334	23	0	0	204
Net Acquired Property	36,725	27,287	7,580	13,598	20,836	10,530
Acquired Property—Operations	27	94	8	177	214	0
Less: Accumulated Depreciation	27	0	0	44	0	0
Net Acquired Property—Operations	0	94	8	133	214	0
Land, Buildings, and Equipment	66,235	31,454	18,322	14,949	35,179	13,515
Less: Accumulated Depreciation	18,467	11,371	7,057	6,635	11,084	5,324
Net Land, Buildings, and Equipment	47,768	20,083	11,265	8,314	24,095	8,191
Prepaid Expenses and Other Assets	22,627	3,167	3,080	3,096	482	2,208
Total Assets	\$2,854,456	\$1,299,159	\$1,024,387	\$1,186,169	\$2,960,298	\$838,149
Liabilities and Net Worth						
Drafts Outstanding	\$ 0	\$ 0	\$ 55	\$ 3,504	\$ 0	\$ 0
Notes Payable: Federal Intermediate Credit Banks	2,292,155	1,117,421	779,850	926,051	2,447,222	750,146
Other Notes Payable	77,133	10,001	1,474	1,925	6,089	4,626
Total Notes Payable	2,369,288	1,127,422	781,324	927,976	2,453,311	754,772
Accounts Payable	1,590	3,592	1,645	1,044	2,639	9,426
Accrued Interest Payable	66,959	11,742	7,397	7,263	82,680	6,768
Trust Accounts	63	54	1,074	154	23	234
Dividend and Patronage Distributions Payable	0	9	26	209	5	0
Loans Rediscounted with FICB	0	0	0	0	0	0
Provision for Federal and Other Income Taxes	335	6	606	1,899	483	3
Undistributed Dividends—Credit Life Insurance	0	12	377	8	0	0
Other Liabilities	6,826	2,738	1,679	2,159	1,490	16,410
Total Liabilities	2,445,061	1,145,575	794,183	944,216	2,540,631	787,613
Capital Stock: Class A Stock—FICBs	0	0	0	0	0	0
Class A Stock—Members	16	508	1,229	1,290	70	549
Class B Stock—Members	237,437	132,823	78,371	113,105	258,122	73,064
Class C Stock—FICBs	0	0	0	0	0	0
Class C Stock—Members	0	0	0	0	0	0
Class D Stock	0	0	22,055	1,770	0	10,000
Participation Certificates	1,980	679	1,086	1,657	10,052	554
Total Capital Stock	239,433	134,010	102,741	117,822	268,244	84,167
Earned Net Worth: Equity Reserve	0	0	0	0	0	0
Paid in Surplus—FICBs	0	0	0	0	0	0
Surplus Reserved	169,961	19,577	127,606	126,741	151,423	(36,507)
Surplus Allocated	0	0	288	646	0	2,875
Earnings Reserved for Stock Dividends	0	0	0	0	0	0
Earnings Reserved for Patronage Distribution	0	0	0	185	0	0
Undistributed Earnings	0	0	(430)	(3,440)	0	0
Total Earned Net Worth	169,961	19,577	127,464	124,132	151,423	(33,632)
Total Net Worth	409,394	153,587	230,205	241,954	419,667	50,535
Total Liabilities and Net Worth	\$2,854,455	\$1,299,162	\$1,024,388	\$1,186,170	\$2,960,298	\$838,148

NOTE: Totals may not add due to rounding.

Table 39

Production Credit Associations Combined Statement of Income

(Dollars in Thousands)

For the Year Ended December 31	1985	1984	Percent Change
Income			
Loan Interest Income:			
Loans	\$1,897,209	\$2,372,012	(20.01)
Sales Contracts	9,793	7,645	28.09
Notes Receivable	3,598	3,263	10.26
Total Interest Income from Loans	1,910,600	2,382,920	(19.82)
Income from Investments (Net)	1,367	5,549	(75.36)
Appraisal and Loan Service Fees	7,706	9,779	(21.19)
Financially Related Services	42,479	46,389	(8.42)
Compensation Income—Participations Sold	0	120	(100.00)
Other Operating Income	52,236	1,645	3,075.44
Dividends from FICBs	0	9	(100.00)
Gross Income	2,014,388	2,446,411	(17.65)
Interest Expense—Notes Payable, Etc.	1,617,684	1,957,897	(17.37)
Compensation Expense—Participations Purchased	(2)	4	(150.00)
Operating Expenses	348,634	353,133	(1.27)
Total Expenses	1,966,316	2,311,034	(14.91)
Net Gain (Loss) from Operations	48,072	135,377	(64.49)
Other Additions/Deductions:			
Gain (Loss)—Sale of Investment	(31)	(48)	(35.41)
Income (Expense)—Office Building or Premises	113	108	4.62
Income (Expense)—Land/Buildings (Investment)	23	0	0.00
Cash Over or Short (Net)	0	(1)	(100.00)
Income (Expense)—Mineral Reservations	157	185	(15.13)
Income (Expense)—Acquired Property	(2,271)	(3,595)	(36.82)
Gain (Loss)—Disposition of Acquired Property	(18,137)	(11,916)	52.20
Income (Expense)—Lease Equipment	160	275	(41.81)
Other Gains (Losses)	127,959	6,955	1,739.81
Total Other Additions and Deductions	107,973	(8,037)	(1,443.44)
Net Gain (Loss) before Provision for Losses	156,045	127,340	22.54
Provision for Losses	(768,644)	(222,647)	245.23
Net Gain (Loss) before Income Taxes	(612,599)	(95,307)	542.76
Less: Federal and Other Income Taxes	4,287	27,202	(84.24)
Net Income before Adjustment—Prior Years	(616,886)	(122,509)	400.54
Adjustment for Prior Years	15,126	9,041	76.47
Net Income (Loss)	(601,760)	(113,468)	430.33
Distribution of FICB Earnings	(71,369)	105,884	(167.40)
Final Net Income (Loss)	\$ (673,129)	\$ (7,584)	8,775.65

NOTE: Totals may not add due to rounding.

Table 40**Production Credit Associations Statement of Income by District**

(Dollars in Thousands)

For the Year Ended December 31, 1985	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Income						
Loan Interest Income:						
Loans	\$70,495	\$82,861	\$186,018	\$182,253	\$ 65,633	\$128,271
Sales Contracts	274	76	506	2,100	206	303
Notes Receivable	10	146	1,958	348	54	105
Total Interest Income from Loans	70,779	83,083	188,482	184,701	65,893	128,679
Income from Investments (Net)	283	104	389	126	31	0
Appraisal and Loan Service Fees	157	14	4,767	265	1,294	36
Financially Related Services	4,148	525	3,561	4,560	1,085	4,512
Compensation Income—Participations Sold	0	0	0	0	0	0
Other Operating Income	110	146	218	472	86	219
Dividends from FICBs	0	0	0	0	0	0
Gross Income	75,479	83,872	197,417	190,124	68,389	133,446
Interest Expense—Notes Payable, Etc.	61,503	65,889	171,314	142,042	55,931	98,094
Compensation Expense—Participations Purchased	0	0	0	0	0	0
Operating Expenses	15,185	13,122	30,243	46,304	16,316	32,468
Total Expenses	76,688	79,011	201,557	188,346	72,247	130,562
Net Gain (Loss) from Operations	(1,209)	4,761	(4,140)	1,778	(3,858)	2,884
Other Additions/Deductions:						
Gain (Loss)—Sale of Investment	(9)	(2)	(3)	0	0	0
Income (Expense)—Office Building or Premises	0	46	0	(75)	7	13
Income (Expense)—Land/Buildings (Investment)	2	1	14	28	0	5
Cash Over or Short (Net)	0	0	(1)	0	0	0
Income (Expense)—Mineral Reservations	0	0	0	0	4	0
Income (Expense)—Acquired Property	(126)	(40)	(603)	458	(178)	(128)
Gain (Loss)—Disposition of Acquired Property	121	34	(481)	(6,383)	(773)	17
Income (Expense)—Lease Equipment	0	22	0	22	0	113
Other Gains (Losses)	52	22	9,068	3,890	329	558
Total Other Additions and Deductions	40	83	7,994	(2,061)	(610)	578
Net Gain (Loss) before Provision for Losses	(1,169)	4,944	3,854	(283)	(4,468)	3,462
Provision for Losses	(2,260)	(4,561)	(35,681)	(75,258)	(25,539)	(20,660)
Net Gain (Loss) before Income Taxes	(3,429)	383	(31,827)	(75,541)	(30,007)	(17,198)
Less: Federal and Other Income Taxes	631	882	1,797	1,688	80	(1,074)
Net Earnings before Adjustment—Prior Years	(4,060)	(439)	(33,623)	(77,229)	(30,087)	(16,124)
Adjustment for Prior Years	140	12	683	3,497	3,124	(940)
Net Income (Loss)	(3,920)	(427)	(32,940)	(73,732)	(26,963)	(17,064)
Distribution of FICB Earnings	4,798	3,433	2,841	(4,538)	3,868	0
Final Net Income (Loss)	\$ 878	\$ 3,006	\$(30,099)	\$(78,270)	\$(23,277)	\$(17,064)

NOTE: Totals may not add due to rounding.

Table 40 (continued)
Production Credit Associations Statement of Income by District

(Dollars in Thousands)

As of December 31, 1985	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane
Income						
Loan Interest Income:						
Loans	\$ 357,222	\$ 163,595	\$117,460	\$120,155	\$314,900	\$108,346
Sales Contracts	1,297	1,220	815	556	1,074	1,367
Notes Receivable	213	74	90	6	122	471
Total Interest Income from Loans	358,732	164,889	118,365	120,717	316,095	110,184
Income from Investments (Net)	148	0	11	2	4	266
Appraisal and Loan Service Fees	320	48	27	335	279	169
Financially Related Services	14,986	3,674	604	2,647	867	1,313
Compensation Income—Participations Sold	0	0	0	0	0	0
Other Operating Income	25,870	24,642	176	54	45	198
Dividends from FICBs	0	0	0	0	0	0
Gross Income	400,056	193,253	119,184	123,755	317,290	112,130
Interest Expense—Notes Payable, Etc.	295,316	165,867	96,125	94,556	265,682	105,366
Compensation Expense—Participations Purchased	0	0	(2)	0	0	0
Operating Expenses	63,110	38,130	18,689	20,213	34,345	20,508
Total Expenses	358,426	203,997	114,812	114,769	300,027	125,874
Net Gain (Loss) from Operations	41,630	(10,744)	4,372	8,986	17,263	(13,744)
Other Additions/Deductions:						
Gain (Loss)—Sale of Investment	(1)	0	0	(16)	0	0
Income (Expense)—Office Building or Premises	13	21	21	9	20	36
Income (Expense)—Land/Buildings (Investment)	2	(21)	(5)	1	(2)	(6)
Cash Over or Short (Net)	0	0	0	0	0	0
Income (Expense)—Mineral Reservations	0	0	86	67	0	0
Income (Expense)—Acquired Property	(79)	(287)	(412)	343	(591)	(630)
Gain (Loss)—Disposition of Acquired Property	(1,264)	(726)	(732)	162	(2,684)	(5,432)
Income (Expense)—Lease Equipment	1	0	0	0	0	0
Other Gains (Losses)	118	106,792	929	374	8,171	(2,344)
Total Other Additions and Deductions	(1,210)	105,779	(113)	940	4,914	(8,376)
Net Gain (Loss) before Provision for Losses	40,420	95,035	4,259	9,926	22,174	(22,120)
Provision for Losses	(161,164)	(256,555)	(57,823)	(12,332)	(52,360)	(64,452)
Net Gain (Loss) before Income Taxes	(120,744)	(161,520)	(53,564)	(2,406)	(30,183)	(86,572)
Less: Federal and Other Income Taxes	(3,576)	6	943	2,533	488	(50)
Net Earnings before Adjustment—Prior Years	(117,168)	161,526	(54,507)	(4,939)	(30,671)	(86,522)
Adjustment for Prior Years	615	6,110	681	330	672	204
Net Income (Loss)	(116,553)	(155,416)	(53,826)	(4,609)	(29,999)	(86,318)
Distribution of FICB Earnings	(32,023)	(46,206)	(3,360)	0	0	0
Final Net Income (Loss)	\$(148,576)	\$(201,622)	\$(57,186)	\$ (4,609)	\$(29,999)	\$(86,318)

NOTE: Totals may not add due to rounding.

Table 41
District Production Credit Associations
Nonperforming Loans, Chargeoffs and Financial Ratios

(Dollars in Millions)

For the Year Ended December 31, 1985	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Nonperforming Loans	\$21.2	\$61.6	\$167.5	\$177.3	\$65.2	\$147.1
Formally Restructured	0.1	1.2	1.2	1.0	4.3	0.6
Other Restructured and Reduced Rate	(a)	0.1	0.5	(a)	5.4	(a)
Other High Risk	13.8	50.2	90.7	74.5	45.6	98.0
Nonaccrual	7.3	10.1	75.1	101.8	9.9	48.5
Net Loan Chargeoffs	\$ 2.8	\$ 4.1	\$ 34.0	\$ 47.6	\$17.8	\$ 12.6
Selected Ratios						
Return on Assets (%)	0.12	0.35	(1.53)	(4.10)	(3.23)	(1.71)
Return on Equity (%)	0.75	1.93	(7.58)	(18.92)	(13.93)	(7.45)
Net Interest Margin (%)	1.44	2.37	1.12	3.00	1.69	2.87
As of December 31, 1985						
Capital-to-Assets Ratio	0.16	0.19	0.21	0.21	0.23	0.25
Debt-to-Capital Ratio	5.08	4.32	3.77	3.84	3.35	3.01

(a) Less than \$50,000.

NOTE: Totals may not add due to rounding.

Table 41 (continued)
District Production Credit Associations
Nonperforming Loans, Chargeoffs and Financial Ratios

(Dollars in Millions)

For the Year Ended December 31, 1985	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane ^(a)
Nonperforming Loans	\$443.6	\$427.3	\$153.6	\$80.6	\$447.2	\$123.2
Formally Restructured	8.2	(b)	1.7	1.5	11.7	1.0
Other Restructured and Reduced Rate	13.1	0.2	0.8	(b)	(b)	(b)
Other High Risk	270.1	164.6	101.2	59.1	304.6	47.4
Nonaccrual	152.2	262.5	49.9	20.0	130.9	74.8
Net Loan Chargeoffs	\$ 98.4	\$153.8	\$ 23.1	\$ 4.4	\$ 60.1	\$ 24.7
Selected Ratios						
Return on Assets (%)	(4.44)	(10.87)	(4.82)	(0.38)	(0.97)	(7.82)
Return on Equity (%)	(25.73)	(63.06)	(20.86)	(1.84)	(6.63)	(68.19)
Net Interest Margin (%)	2.20	(0.07)	2.30	2.43	1.90	0.55
As of December 31, 1985						
Capital-to-Assets Ratio	0.14	0.12	0.22	0.20	0.14	0.06
Debt-to-Capital Ratio	5.97	7.46	3.45	3.90	6.05	15.59

(a) Excludes PCAs in liquidation.

(b) Less than \$50,000.

NOTE: Totals may not add due to rounding.

Table 42
Banks for Cooperatives Combined Statement of Condition

(Dollars in Thousands)

As of December 31	1985	1984	Percent Change
Assets			
Loans to Cooperatives: Seasonal Loans	\$ 2,681,361	\$ 3,739,784	(28.30)
Term	4,912,440	4,650,183	5.64
Commodity	170,008	250,766	(32.20)
Acceptances	119,114	287,459	(58.56)
Subtotal	7,882,922	8,928,193	(11.71)
Less: Participations	0	0	0.00
Less: Acceptances Discounted to Other Farm Credit Banks	0	0	0.00
Less: Unapplied Loan Payments	2,090	4,183	(50.04)
Less: Unearned Income (Acceptances)	1,092	2,640	(58.63)
Total Loans to Cooperative Associations	7,879,740	8,921,369	(11.68)
Nonaccrual Loans	131,159	14,600	798.34
Sales Contracts, Notes, Etc.	91,201	78,064	16.83
Accrued Interest Receivable on Loans	160,709	218,167	(26.34)
Gross Loan Items	8,262,809	9,232,200	(10.50)
Less: Allowance for Losses	131,916	121,183	8.86
Net Loan Items	8,130,893	9,111,017	(10.76)
Cash	11,902	22,024	(45.96)
Investments: U.S. Government Securities (Par)	17,250	10,629	62.29
Securities Government Supervised Institutions (Par)	40,504	39,534	2.45
Other Securities and Federal Funds	2,263,257	773,300	192.68
Unamortized Premium or Discount (Net)	(7,609)	(2,032)	274.48
Total Investment in Securities	2,313,403	821,431	181.63
Investments in Central Bank for Cooperatives	0	0	0.00
Investments in Other Banks for Cooperatives	0	0	0.00
Investments in DBC Bankers Acceptances (Net)	0	0	0.00
Notes Receivable Farm Credit Banks and Other	47,283	36,041	31.19
Accounts Receivable	18,393	13,260	38.71
Accrued Interest Receivable—Other Farm Credit Banks	983	969	1.41
Accrued Interest Receivable—Investments	6,015	6,110	(1.56)
Acquired Property	11,988	4,203	185.23
Less: Accumulated Depreciation	197	71	177.25
Less: Allowance for Losses	598	263	127.76
Net Acquired Property	11,192	3,869	189.28
Land, Buildings, and Equipment	56,650	45,655	24.08
Less: Accumulated Depreciation	9,513	7,670	24.04
Net Land, Buildings, and Equipment	47,136	37,985	24.09
Customers Liability on Acceptances Outstanding	0	0	0.00
Prepaid Expenses and Other Assets	30,426	21,805	39.54
Total Assets	\$10,617,625	\$10,074,512	5.39
Liabilities and Net Worth			
Notes Payable: Other Farm Credit Banks	\$ 436,564	\$ 46,270	843.52
Consolidated Systemwide Notes	4,395,091	3,111,393	41.26
Commercial Banks and Other	79,539	2,165	3,574.09
Securities Sold Under Agreement to Repurchase	4,875	14,475	(66.32)
Total Notes Payable	4,916,068	3,174,302	54.87
Accounts Payable	36,200	47,900	(24.43)
Accrued Interest Payable	140,275	191,172	(26.62)
Unmatured Consolidated and Systemwide Bonds	4,125,662	5,360,150	(23.03)
Less: Consolidated Bonds Owned	35,000	10,000	250.00
Net Consolidated and Systemwide Bonds Outstanding	4,090,662	5,350,150	(23.54)
Unmatured Farm Credit Investment Bonds Outstanding	227,347	69,806	225.69
Matured Farm Credit Investment Bonds Outstanding	0	0	0.00
Capital Stock and Equities Called for Retirement	29,648	24,787	19.61
Bankers Liability on Acceptances Outstanding	0	0	0.00
Other Liabilities	11,332	9,788	15.77
Total Liabilities	9,451,533	8,867,906	6.58
Capital Stock: Class B—All	534	311	71.54
Class C—District Banks	0	0	0.00
Class C—Cooperative Associations	830,155	857,132	(3.15)
Class D—All	1,039	2,250	(53.83)
Other—Cooperative Associations	1,530	1,586	(3.54)
Class C—Subscribed—Cooperative Associations	0	0	0.00
Class C—Subscribed—District Banks	0	0	0.00
Total Capital Stock	833,258	861,279	(3.25)
Earned Net Worth: Surplus Reserved	88,111	88,111	0.00
Surplus Allocated to Cooperative Associations	198,361	211,665	(6.29)
Surplus Allocated to District Banks	0	0	0.00
Surplus Unallocated	46,361	45,551	1.78
Undistributed Earnings	0	0	0.00
Total Earned Net Worth	332,833	345,327	(3.62)
Total Net Worth	1,166,092	1,206,606	(3.36)
Total Liabilities and Net Worth	\$10,617,625	\$10,074,512	5.39

NOTE: Totals may not add due to rounding.

Table 43
Banks for Cooperatives Statement of Condition by District

(Dollars in Thousands)

As of December 31	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Assets						
Loans to Cooperatives: Seasonal Loans	\$102,326	\$ 93,682	\$ 43,920	\$140,342	\$115,516	\$119,657
Term	278,706	90,642	659,994	512,328	734,382	254,467
Commodity	0	0	44,399	16,078	0	11,500
Acceptances	0	0	0	0	30,000	0
Subtotal	381,033	184,323	748,314	668,749	879,897	385,624
Less: Participations	224,758	130,357	494,430	248,824	589,709	77,961
Less: Acceptances Discounted to Other Farm Credit Banks	0	0	0	0	0	0
Less: Unapplied Loan Payments	0	0	0	766	162	0
Less: Unearned Income (Acceptances)	0	0	0	0	431	0
Total Loans to Cooperative Associations	156,275	53,966	253,884	419,159	289,596	307,663
Nonaccrual Loans	360	1,537	16,366	709	1,438	911
Sales Contracts, Notes, Etc.	38	83	13,612	0	0	0
Accrued Interest Receivable on Loans	3,822	(1,258)	2,452	(1,242)	6,338	7,382
Gross Loan Items	60,494	54,330	286,314	418,626	297,372	315,956
Less: Allowance for Losses	2,160	1,794	8,738	7,837	4,073	9,800
Net Loan Items	158,334	52,535	277,575	410,789	293,299	306,156
Cash	252	(933)	333	842	235	266
Investments: U.S. Government Securities (Par)	0	0	0	0	1,000	0
Securities Government Supervised Institutions (Par)	0	0	0	10,000	3,000	3,000
Other Securities and Federal Funds	15,000	23,532	31,700	65,792	29,676	110,639
Unamortized Premium or Discount (Net)	0	0	0	73	(8)	(11)
Total Investment in Securities	15,000	23,532	31,700	75,865	33,668	113,628
Investments in Central Bank for Cooperatives	21,833	9,398	23,505	28,512	47,585	17,935
Investments in Other Banks for Cooperatives	243	0	578	0	0	0
Investments in DBC Bankers Acceptances (Net)	0	0	0	0	0	0
Notes Receivable Farm Credit Banks and Other	380	14,997	0	9	50,050	5,957
Accounts Receivable	1,636	486	2,831	1,391	3,281	1,125
Accrued Interest Receivable—Other Farm Credit Banks	31	43	23	6	263	0
Accrued Interest Receivable—Investments	15	377	0	589	226	125
Acquired Property	85	39	111	167	194	344
Less: Accumulated Depreciation	0	0	0	0	0	0
Less: Allowance for Losses	0	3	8	13	15	36
Net Acquired Property	85	36	103	154	180	308
Land, Buildings, and Equipment	1,135	0	430	2,851	6,979	5,198
Less: Accumulated Depreciation	240	0	250	893	670	930
Net Land, Buildings, and Equipment	895	0	180	1,958	6,309	4,268
Customers Liability on Acceptances Outstanding	0	0	0	0	0	0
Prepaid Expenses and Other Assets	501	509	8,239	2,041	2,054	1,052
Total Assets	\$199,205	\$100,978	\$345,068	\$522,156	\$437,149	\$450,820
Liabilities and Net Worth						
Notes Payable: Other Farm Credit Banks	\$ 0	\$ 0	\$ 128	\$ 0	\$ 2,000	\$ 0
Consolidated Systemwide Notes	40,740	21,934	111,893	52,713	112,960	2,000
Commercial Banks and Other	0	1,310	0	8,316	5,459	7,661
Securities Sold Under Agreement to Repurchase	0	0	0	0	0	0
Total Notes Payable	40,740	23,244	112,021	61,029	120,419	9,660
Accounts Payable	3,290	422	623	3,910	3,031	3,430
Accrued Interest Payable	2,751	1,447	6,474	10,367	5,097	9,254
Unmatured Consolidated and Systemwide Bonds	98,010	51,962	171,580	311,850	171,000	309,000
Less: Consolidated Bonds Owned	0	0	10,000	0	0	0
Net Consolidated and Systemwide Bonds Outstanding	98,010	51,962	161,580	311,850	171,000	309,000
Unmatured Farm Credit Investment Bonds Outstanding	0	3,364	0	31,378	21,209	28,329
Matured Farm Credit Investment Bonds Outstanding	0	0	0	0	0	0
Capital Stock and Equities Called for Retirement	3,187	(24)	0	0	0	0
Bankers Liability on Acceptances Outstanding	0	0	0	0	0	0
Other Liabilities	177	64	625	368	292	10
Total Liabilities	148,155	80,478	281,323	418,902	321,048	359,682
Capital Stock: Class B—All	0	0	0	0	0	0
Class C—District Banks	0	254	95	52	179	695
Class C—Cooperative Associations	36,603	14,609	46,370	74,498	90,969	63,997
Class D—All	0	0	0	0	0	0
Other—Cooperative Associations	0	0	0	0	0	0
Class C—Subscribed—Cooperative Associations	0	0	0	0	0	0
Class C—Subscribed—District Banks	0	0	0	0	0	0
Total Capital Stock	36,603	14,864	46,464	74,550	91,148	64,692
Earned Net Worth: Surplus Reserved	4,419	2,576	4,371	5,180	3,628	6,154
Surplus Allocated to Cooperative Associations	9,384	264	9,126	23,080	19,085	17,226
Surplus Allocated to District Banks	0	7	18	21	49	214
Surplus Unallocated	644	2,790	3,765	423	2,191	2,852
Undistributed Earnings	0	0	0	0	0	0
Total Earned Net Worth	14,446	5,636	17,280	28,705	24,953	26,446
Total Net Worth	51,050	20,500	63,745	103,254	116,101	91,138
Total Liabilities and Net Worth	\$199,205	\$100,978	\$345,068	\$522,156	\$437,149	\$450,820

NOTE: Totals may not add due to rounding.

Table 43 (continued)
Banks for Cooperatives Statement of Condition by District

(Dollars in Thousands)

As of December 31	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane	Central Bank
Assets							
Loans to Cooperatives: Seasonal Loans	\$ 336,402	\$117,140	\$184,252	\$ 33,126	\$572,218	\$216,559	\$1,479,317
Term	1,296,946	278,304	317,513	125,000	170,516	200,609	2,258,460
Commodity	17,910	0	18,700	51,184	10,258	0	51,251
Acceptances	4,000	31,200	4,830	0	555	0	67,332
Subtotal	1,655,258	426,644	525,296	209,310	753,548	417,168	3,856,359
Less: Participations	682,983	27,830	179,231	58,844	303,102	128,945	61,625
Less: Acceptances Discounted to Other FC Banks	0	0	0	0	0	0	0
Less: Unapplied Loan Payments	0	750	266	0	142	5	0
Less: Unearned Income (Acceptances)	126	62	74	0	6	0	394
Total Loans to Cooperative Associations	972,149	398,002	345,724	150,466	450,298	288,218	3,794,341
Nonaccrual Loans	1,925	27,470	595	1,269	28,095	2,977	47,506
Sales Contracts, Notes, Etc.	15,032	159	509	382	34,966	349	26,070
Accrued Interest Receivable on Loans	25,605	11,823	11,581	3,928	7,852	7,873	74,552
Gross Loan Items	1,014,711	437,455	358,409	156,045	521,211	299,417	3,942,469
Less: Allowance for Losses	19,478	8,300	4,953	2,694	16,061	5,135	40,893
Net Loan Items	995,233	429,155	353,456	153,351	505,150	294,282	3,901,576
Cash	3,332	1,383	299	1,181	1,808	2,618	288
Investments: U.S. Government Securities (Par)	0	5,000	10,000	0	450	800	0
Securities Government Supervised Institutions (Par)	0	11,000	0	0	0	13,500	4
Other Securities and Federal Funds	115,424	49,637	86,178	91,103	9,617	37,479	1,597,481
Unamortized Premium or Discount (Net)	(869)	(249)	268	0	0	(469)	(6,344)
Total Investment in Securities	114,555	65,388	96,446	91,103	10,067	51,309	1,591,141
Investments in Central Bank for Cooperatives	70,340	5,833	22,673	5,477	23,317	10,963	0
Investments in Other Banks for Cooperatives	2,704	0	7,898	316	0	0	0
Investments in DBC Bankers Acceptances (Net)	0	0	0	0	0	0	0
Notes Receivable Farm Credit Banks and Other	102,522	4,912	1,996	600	30,300	7,500	5,630
Accounts Receivable	5,888	3,357	2,518	380	2,212	1,123	1,137
Accrued Interest Receivable—Other Farm Credit Banks	1,086	84	29	17	160	27	38
Accrued Interest Receivable—Investments	438	1,658	321	189	35	176	1,865
Acquired Property	1,809	1,976	951	5,289	215	670	139
Less: Accumulated Depreciation	0	0	0	104	0	93	0
Less: Allowance for Losses	28	200	11	164	16	104	0
Net Acquired Property	1,781	1,776	941	5,021	198	473	139
Land, Buildings, and Equipment	6,186	2,453	2,080	9,820	4,806	8,443	6,270
Less: Accumulated Depreciation	1,376	1,033	619	399	1,070	928	1,105
Net Land, Buildings, and Equipment	4,810	1,420	1,460	9,421	3,735	7,515	5,166
Customers Liability on Acceptances Outstanding	0	0	0	0	0	0	0
Prepaid Expenses and Other Assets	5,922	1,600	1,522	2,213	553	1,579	2,720
Total Assets	\$1,308,613	\$516,565	\$489,559	\$269,269	\$577,536	\$377,564	\$5,509,701
Liabilities and Net Worth							
Notes Payable: Other Farm Credit Banks	\$ 1,314	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 610,693
Consolidated Systemwide Notes	313,442	60,750	86,044	57,085	251,719	149,890	3,133,922
Commercial Banks and Other	19,980	11,409	0	3,112	9,644	6,126	6,522
Securities Sold Under Agreement to Repurchase	0	4,875	0	0	0	0	0
Total Notes Payable	334,736	77,034	86,044	60,196	261,363	156,016	3,751,136
Accounts Payable	3,923	3,020	9,003	107	2,457	1,855	10,101
Accrued Interest Payable	23,181	11,192	6,745	1,261	6,946	4,666	51,719
Unmatured Consolidated and Systemwide Bonds	690,610	341,250	183,505	94,286	179,000	155,000	1,368,610
Less: Consolidated Bonds Owned	0	25,000	0	0	0	0	0
Net Consolidated and Systemwide Bonds Outstanding	690,610	316,250	183,505	94,286	179,000	155,000	1,368,610
Unmatured Farm Credit Investment Bonds Outstanding	10,402	9,710	53,052	67,914	0	1,990	0
Matured Farm Credit Investment Bonds Outstanding	0	0	0	0	0	0	0
Capital Stock and Equities Called for Retirement	0	0	0	5	24,497	1,981	0
Bankers Liability on Acceptances Outstanding	0	0	0	0	0	0	0
Other Liabilities	3,139	2,525	423	69	520	1,315	1,806
Total Liabilities	1,065,991	419,731	338,772	223,839	474,784	322,824	5,183,373
Capital Stock: Class B—All	0	0	0	0	534	0	0
Class C—District Banks	1,168	6,587	230	402	0	551	255,160
Class C—Cooperative Associations	177,709	71,140	112,197	26,964	75,078	40,021	0
Class D—All	1,039	0	0	0	0	0	0
Other—Cooperative Associations	0	0	1,530	0	0	0	0
Class C—Subscribed—Cooperative Associations	0	0	0	0	0	0	0
Class C—Subscribed—District Banks	0	0	0	0	0	0	0
Total Capital Stock	179,916	77,727	113,957	27,366	75,612	40,571	255,160
Earned Net Worth: Surplus Reserved	6,638	2,423	6,336	5,038	6,658	5,014	29,676
Surplus Allocated to Cooperative Associations	49,506	13,778	25,879	4,405	19,123	7,505	0
Surplus Allocated to District Banks	317	746	48	71	0	116	32,210
Surplus Unallocated	6,244	2,160	4,567	8,550	1,359	1,534	9,282
Undistributed Earnings	0	0	0	0	0	0	0
Total Earned Net Worth	62,706	19,107	36,830	18,064	27,139	14,169	71,168
Total Net Worth	242,622	96,834	150,787	45,430	102,752	54,741	326,328
Total Liabilities and Net Worth	\$1,308,613	\$516,565	\$489,559	\$269,269	\$577,536	\$377,564	\$5,509,701

NOTE: Totals may not add due to rounding.

Table 44
Banks for Cooperatives Combined Statement of Income

(Dollars in Thousands)

For the Year Ended December 31	1985	1984	Percent Change
Income			
Loan Interest Income:			
Cooperative Associations	\$871,532	\$1,084,674	(19.65)
Sales Contracts	9,022	9,929	(9.13)
Notes Receivable Other Farm Credit Banks	1,072	1,614	(33.58)
Other Interest Income	3,772	2,055	83.53
Total Interest Income from Loans	885,398	1,098,272	(19.38)
Income from Investments (Net)	107,572	74,732	43.94
Compensation Income—Participations Sold	0	0	0.00
Appraisal and Loan Service Fees	43	192	(77.59)
Financially Related Services	76	16	381.86
Customers Draft Accepted Fees	0	0	0.00
Letters of Credit Issued Fees	3,758	3,381	11.13
Income from Distribution of Earnings of Central BC	0	0	0.00
Income from Distribution of Earnings of Other District Banks	0	0	0.00
Gross Income	996,847	1,176,593	(15.28)
Notes and Bonds Expense:			
Cost of Bonds	521,574	662,829	(21.31)
Interest on Notes Payable	303,898	309,565	(1.83)
Total Cost of Borrowed Funds	825,473	972,395	(15.11)
Compensation Expense—Participations Purchased	0	0	0.00
Operating Expenses	64,545	60,219	7.18
Total Expenses	890,017	1,032,614	(13.81)
Net Gain (Loss) from Operations	106,830	143,979	(25.80)
Other Additions/Deductions:			
Gain (Loss)—Sale of Investment	(242)	0	N/A
Income (Expense)—Acquired Property	(60)	69	(186.73)
Gain (Loss)—Disposition of Acquired Property	42	12	267.30
Provision for Losses—Acquired Property	(321)	(486)	(33.92)
Income (Expense)—Office Building or Premises	(74)	60	(222.18)
Income (Expense)—Land/Buildings (Investment)	(38)	8	(582.83)
Other Gains (Losses)	(15,812)	(221)	7,056.05
Other Income (Expense)	2,797	1,663	68.19
Total Other Additions and Deductions	(13,706)	1,105	(*****) ¹
Net Gain (Loss) before Provision for Losses	93,124	145,084	(35.81)
Provision for Losses	(24,539)	(8,704)	181.92
Net Income before Income Taxes	68,584	136,379	(49.71)
Less: Federal and Other Income Taxes	2,252	3,186	(29.32)
Net Income (Loss)	\$ 66,333	\$ 133,194	(50.20)

N/A Not applicable.

¹Percent Change exceeds 9999.99 or (999.99).

NOTE: Totals may not add due to rounding.

Table 45
Banks for Cooperatives Statement of Income by District

(Dollars in Thousands)

For the Year Ended December 31, 1985	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Income						
Loan Interest Income:						
Cooperative Associations	\$15,275	\$ 7,199	\$27,623	\$53,430	\$36,066	\$44,918
Sales Contracts	5	321	1,723	0	0	0
Notes Receivable Other Farm Credit Banks	146	223	38	58	757	2
Other Interest Income	1	0	0	0	613	162
Total Interest Income from Loans	15,427	7,743	29,384	53,489	37,436	45,083
Income from Investments (Net)	1,292	1,253	1,968	5,321	1,490	5,164
Compensation Income—Participations Sold	6	0	0	0	69	0
Appraisal and Loan Service Fees	0	0	31	1	0	10
Financially Related Services	0	3	0	0	0	27
Customers Draft Accepted Fees	0	0	0	0	0	0
Letters of Credit Issued Fees	98	0	96	27	474	0
Income from Distribution of Earnings of Central BC	2,468	1,356	3,870	4,613	4,798	1,201
Income from Distribution of Earnings of						
Other District Banks	46	0	0	0	0	0
Gross Income	19,337	10,355	35,350	63,451	44,268	51,485
Notes and Bonds Expense:						
Cost of Bonds	9,559	5,621	18,569	39,619	25,705	37,351
Interest on Notes Payable	3,151	1,720	7,551	6,266	4,644	2,662
Total Cost of Borrowed Funds	12,710	7,341	26,120	45,885	30,349	40,013
Compensation Expense—Participations Purchased	0	6	0	0	0	0
Operating Expenses	2,083	1,445	2,866	5,435	4,389	3,794
Total Expenses	14,793	8,791	28,986	51,320	34,738	43,807
Net Gain (Loss) from Operations	4,544	1,563	6,364	12,132	9,529	7,678
Other Additions/Deductions:						
Gain (Loss)—Sale of Investment	0	0	0	(127)	0	(55)
Income (Expense)—Acquired Property	0	0	0	0	(8)	0
Gain (Loss)—Disposition of Acquired Property	0	0	0	0	0	0
Provision for Losses—Acquired Property	0	(3)	(8)	(13)	0	(36)
Income (Expense)—Office Building or Premises	0	0	0	0	0	0
Income (Expense)—Land/Buildings (Investment)	0	0	0	0	(50)	0
Other Gains (Losses)	(547)	(249)	(751)	(1,538)	(1,266)	(807)
Other Income (Expense)	92	29	28	51	0	47
Total Other Additions and Deductions	(455)	(223)	(732)	(1,626)	(1,324)	(850)
Net Gain (Loss) before Provision for Losses	4,089	1,340	5,632	10,506	8,205	6,828
Provision for Losses	(150)	(150)	(4,460)	(600)	0	(574)
Net Income before Income Taxes	3,939	1,190	1,172	9,906	8,205	6,254
Less: Federal and Other Income Taxes	0	40	(18)	0	(92)	266
Net Income (Loss)	\$ 3,939	\$ 1,150	\$ 1,190	\$ 9,906	\$ 8,297	\$ 5,988

NOTE: Totals may not add due to rounding.

Table 45 (continued)
Banks for Cooperatives Statement of Income by District

(Dollars in Thousands)

For the Year Ended December 31, 1985	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane	Central Bank
Income							
Loan Interest Income:							
Cooperative Associations	\$119,904	\$61,319	\$43,585	\$18,394	\$55,563	\$34,982	\$353,274
Sales Contracts	645	19	2	52	3,272	40	2,943
Notes Receivable Other Farm Credit Banks	1,290	295	100	92	423	156	2,468
Other Interest Income	3,324	21	220	106	0	0	14
Total Interest Income from Loans	125,163	61,655	43,907	18,644	59,258	35,177	358,699
Income from Investments (Net)	8,000	7,215	2,922	5,206	304	4,012	63,425
Compensation Income—Participations Sold	0	0	0	0	0	0	0
Appraisal and Loan Service Fees	0	0	0	0	1	0	0
Financially Related Services	0	0	47	0	0	0	0
Customers Draft Accepted Fees	0	0	0	0	0	0	0
Letters of Credit Issued Fees	199	54	87	76	7	6	2,633
Income from Distribution of Earnings of Central BC	8,063	618	1,809	553	2,967	1,059	0
Income from Distribution of Earnings of Other District Banks	169	0	426	0	0	0	0
Gross Income	141,594	69,541	49,198	24,479	62,538	40,254	424,757
Notes and Bonds Expense:							
Cost of Bonds	90,530	51,242	24,078	15,813	23,466	25,152	154,869
Interest on Notes Payable	17,843	4,539	7,967	4,454	23,516	8,106	217,142
Total Cost of Borrowed Funds	108,373	55,781	32,046	20,267	46,982	33,257	372,011
Compensation Expense—Participations Purchased	0	0	0	0	0	0	0
Operating Expenses	8,255	6,180	6,027	3,399	3,714	3,860	13,099
Total Expenses	116,628	61,961	38,073	23,666	50,697	37,117	385,110
Net Gain (Loss) from Operations	24,966	7,518	11,126	813	11,841	3,137	39,647
Other Additions/Deductions:							
Gain (Loss)—Sale of Investment	0	0	(73)	0	0	12	0
Income (Expense)—Acquired Property	(16)	57	5	(130)	0	32	0
Gain (Loss)—Disposition of Acquired Property	7	0	16	18	0	0	0
Provision for Losses—Acquired Property	(28)	(34)	(11)	(164)	(16)	(7)	0
Income (Expense)—Office Building or Premises	0	0	0	(70)	0	(111)	107
Income (Expense)—Land/Buildings (Investment)	0	2	0	0	0	0	0
Other Gains (Losses)	(2,460)	(3,569)	(886)	(358)	(1,784)	(637)	(903)
Other Income (Expense)	525	1,700	246	34	3	34	(4)
Total Other Additions and Deductions	(1,972)	(1,844)	(702)	(670)	(1,797)	(668)	(800)
Net Gain (Loss) before Provision for Losses	22,993	5,737	10,423	143	10,044	2,469	38,846
Provision for Losses	(1,976)	(7,837)	(831)	(1,487)	(1,953)	(443)	(4,079)
Net Income before Income Taxes	21,017	(2,099)	9,593	(1,344)	8,092	2,026	34,767
Less: Federal and Other Income Taxes	1,910	(542)	30	(13)	0	322	347
Net Income (Loss)	\$ 19,107	\$ (1,557)	\$ 9,563	\$ (1,332)	\$ 8,092	\$ 1,703	\$ 34,420

NOTE: Totals may not add due to rounding.

Table 46
District Banks for Cooperatives
Nonperforming Loans, Chargeoffs and Financial Ratios

(Dollars in Millions)

For the Year Ended December 31, 1985	Springfield	Baltimore	Columbia	Louisville	Jackson	St. Louis
Nonperforming Loans	\$0.4	\$9.3	\$51.7	\$4.0	\$1.5	\$32.7
Formally Restructured	0.0	0.1	0.0	0.0	0.0	0.0
Other Restructured and Reduced Rate	0.0	0.0	0.0	0.0	0.0	0.0
Other High Risk	(a)	7.7	35.4	3.3	0.1	31.8
Nonaccrual	\$0.4	\$1.5	16.3	\$0.7	1.4	\$ 0.9
Net Chargeoffs	(a)	(a)	\$ 2.0	(a)	\$0.1	(b)
Selected Ratios						
Return on Assets (%)	2.05	1.16	0.35	1.74	1.88	1.20
Return on Equity (%)	7.69	5.43	1.85	9.31	6.85	6.20
Net Interest Margin (%)	2.44	1.84	1.71	2.38	2.26	2.19
As of December 31, 1985						
Capital-to-Assets Ratio	0.26	0.20	0.18	0.20	0.27	0.20
Debt-to-Capital Ratio	2.90	3.93	4.41	4.06	2.77	3.95

(a) Less than \$50,000.

(b) Less than \$50,000 net recovery.

NOTE: Totals may not add due to rounding.

Table 47
Selected Borrower Characteristics
Federal Land Banks Loans Booked During 1984

Borrower Net Worth	Number of Loans	Average Loan Amount (1)	Average Age	Percent Young	Average Debt-to-Asset Ratio	Average Gross Ag Income (1)	% Under \$40,000 Ag Income	*Average Income Remainder (1)	Percent by Type of Organization			
									Proprietorships	Partnerships	Corporations	Other
Negative	16	\$3,966.7	39	25.0%	1.092	\$4,495.0	37.5%	\$408.1	75.0%	6.3%	12.5%	6.3%
\$0-\$24,999	351	33.4	32	69.8%	0.682	13.8	74.9%	7.7	98.0%	0.6%	0.6%	0.9%
\$25,000-\$74,999	3,607	41.4	37	46.5%	0.507	16.3	81.5%	9.9	98.8%	0.6%	0.2%	0.5%
\$75,000-\$99,999	2,005	49.9	40	33.8%	0.435	26.0	78.2%	11.6	98.2%	1.0%	0.2%	0.6%
\$100,000-\$149,999	3,480	56.2	42	25.6%	0.388	34.0	70.4%	11.3	98.3%	0.5%	0.1%	1.0%
\$150,000-\$249,999	5,207	69.2	45	21.3%	0.343	58.1	55.2%	12.6	97.1%	1.2%	0.6%	1.1%
\$250,000-\$374,999	4,640	88.0	47	15.3%	0.314	83.9	41.0%	14.3	96.4%	1.5%	1.1%	1.0%
\$375,000-\$499,999	3,265	104.9	49	11.7%	0.295	118.5	30.5%	15.8	94.4%	2.5%	1.7%	1.5%
\$500,000-\$999,999	6,338	128.9	49	10.3%	0.271	175.9	20.6%	21.6	90.5%	2.5%	4.4%	2.6%
\$1,000,000 and over	5,503	\$ 285.6	51	8.0%	0.258	\$ 600.5	14.6%	\$ 73.4	73.8%	6.7%	14.2%	5.3%

(1) Amounts in thousands of dollars.

*Income remainder is projected annual net income from all sources less outlays for debt service, taxes and living expenses.

NOTE: Totals may not add due to rounding.

Table 46 (continued)
District Banks for Cooperatives
Nonperforming Loans, Chargeoffs and Financial Ratios

(Dollars in Millions)

For the Year Ended December 31, 1985	St. Paul	Omaha	Wichita	Texas	Sacramento	Spokane	Central Bank
Nonperforming Loans	\$21.4	\$82.3	\$11.2	\$20.4	\$72.0	\$45.9	\$116.6
Formally Restructured	0.0	6.2	0.0	9.3	43.9	0.0	5.9
Other Restructured and Reduced Rate	0.0	0.0	0.0	0.9	0.0	0.0	0.0
Other High Risk	19.5	48.6	10.6	8.9	0.0	42.9	63.2
Nonaccrual	1.9	27.5	0.6	1.3	28.1	3.0	47.5
Net Loan Chargeoffs	\$ 0.4	\$ 2.5	\$ 0.1	\$ 0.4	\$ 3.0	\$ 0.1	\$ 5.1
Selected Ratios							
Return on Assets (%)	1.42	(0.24)	1.90	(0.52)	1.25	0.43	0.75
Return on Equity (%)	8.18	(1.55)	6.28	(2.71)	6.88	3.11	10.20
Net Interest Margin (%)	2.00	2.16	3.26	1.53	2.06	1.63	1.11
As of December 31, 1985							
Capital-to-Assets Ratio	0.19	0.19	0.31	0.17	0.18	0.14	0.06
Debt-to-Capital Ratio	4.39	4.33	2.25	4.93	4.62	5.90	15.88

NOTE: Totals may not add due to rounding.

Table 48
Selected Borrower Characteristics
Federal Land Banks Loans Booked During 1985

Borrower Net Worth	Number of Loans	Average Loan Amount (1)	Average Age	Percent Young	Average Debt-to-Asset Ratio	Average Gross Ag Income (1)	% Under \$40,000 Ag Income	*Average Income Remainder (1)	Percent by Type of Organization			
									Proprietor-ships	Partner-ships	Corpora-tions	Other
Negative	11	\$186.7	45	27.3%	0.787	\$319.9	36.4%	\$ 6.4	81.8%	0.0%	9.1%	9.1%
\$0-\$24,999	252	32.7	33	63.1%	0.697	14.1	71.4%	7.1	98.0%	1.2%	0.0%	0.8%
\$25,000-\$74,999	2,273	41.5	38	42.7%	0.506	15.3	81.8%	10.2	98.4%	0.8%	0.2%	0.6%
\$75,000-\$99,999	1,273	50.2	41	29.7%	0.436	26.6	77.8%	12.4	98.4%	0.7%	0.2%	0.6%
\$100,000-\$149,999	2,174	54.9	44	23.9%	0.387	31.2	71.8%	12.6	98.3%	0.7%	0.2%	0.8%
\$150,000-\$249,999	3,226	68.2	46	16.4%	0.343	53.7	58.0%	13.0	97.2%	1.1%	0.6%	1.1%
\$250,000-\$374,999	2,524	83.1	48	12.8%	0.314	85.2	43.7%	13.8	96.0%	1.5%	1.1%	1.3%
\$375,000-\$499,999	1,699	94.1	50	10.7%	0.292	105.9	35.6%	16.9	93.9%	2.2%	1.6%	2.2%
\$500,000-\$999,999	3,377	126.8	51	9.3%	0.275	175.8	24.9%	22.9	90.1%	2.8%	4.3%	2.9%
\$1,000,000 and over	2,869	\$292.7	52	6.9%	0.257	\$644.7	19.9%	\$78.9	72.7%	7.2%	13.6%	6.5%

(1) Amounts in thousands of dollars.

*Income remainder is projected annual net income from all sources less outlays for debt service, taxes and living expenses.

NOTE: Totals may not add due to rounding.

Table 49
Selected Borrower Characteristics—Part 1
Production Credit Associations Loans Outstanding at Yearend 1984

Borrower Net Worth	Number of Loans	Average Loan Balance (1)	Average Age	Percent Under 35	Years Farming Experience		Average Value Ag Assets (1)	Average Value Ag Real Estate (1)	Average Debt-to-Asset Ratio
					% Under 5 years	% Under 10 Years			
Negative	3,520	\$142.2	40	39.4%	25.7%	50.6%	\$ 301.4	\$ 268.5	2.264
\$0-\$24,999	34,270	19.3	38	52.2%	29.5%	56.0%	74.7	89.4	0.730
\$25,000-\$74,999	62,567	18.0	41	35.9%	16.4%	44.1%	81.6	69.8	0.494
\$75,000-\$99,999	24,691	24.6	44	26.3%	11.0%	32.1%	119.7	85.9	0.447
\$100,000-\$149,999	46,428	26.8	47	16.3%	8.7%	29.4%	154.1	112.9	0.384
\$150,000-\$249,999	57,483	39.9	49	13.8%	8.3%	21.2%	244.1	172.9	0.368
\$250,000-\$374,999	46,039	59.3	50	10.0%	5.6%	18.6%	387.6	255.9	0.344
\$375,000-\$499,999	24,134	73.4	51	7.8%	6.3%	15.8%	518.7	363.5	0.327
\$500,000-\$999,999	40,109	94.7	52	6.6%	5.0%	15.0%	792.4	562.5	0.313
\$1,000,000 and over	24,553	\$224.6	53	7.0%	6.9%	16.7%	\$2,310.9	\$1,571.0	0.313

(1) Amounts in thousands of dollars.

Table 50**Selected Borrower Characteristics—Part 2****Production Credit Associations Loans Outstanding at Yearend 1984**

Borrower Net Worth	% Under \$40,000 Ag Sales	Percent by Type of Organization					
		Proprietorships	Partnerships	Family Corporations	Close Non-Family Corporations	Public Corporations	Other
Negative	42.4%	70.1%	10.0%	11.3%	4.3%	0.2%	4.1%
\$0–\$24,999	83.9%	85.7%	5.4%	1.7%	0.2%	0.1%	6.9%
\$25,000–\$74,999	76.5%	94.1%	1.8%	1.2%	0.1%	0.0%	2.9%
\$75,000–\$99,999	68.8%	94.6%	3.2%	0.6%	0.0%	0.0%	1.6%
\$100,000–\$149,999	61.7%	91.6%	3.7%	1.5%	0.3%	0.0%	2.9%
\$150,000–\$249,999	46.2%	90.8%	4.2%	2.7%	0.3%	0.1%	1.9%
\$250,000–\$374,999	30.3%	88.1%	4.1%	3.6%	0.4%	0.1%	3.7%
\$375,000–\$499,999	23.1%	86.3%	6.7%	4.3%	0.5%	0.1%	2.1%
\$500,000–\$999,999	18.1%	78.5%	8.9%	8.6%	1.4%	0.2%	2.4%
\$1,000,000 and over	14.0%	65.9%	12.2%	17.3%	1.0%	0.4%	3.2%

NOTE: Totals may not add due to rounding.

Table 51
Selected Borrower Characteristics—Part 1
Production Credit Associations Loans Outstanding at Yearend 1985

Borrower Net Worth	Number of Loans	Average Loan Balance (1)	Average Age	Percent Under 35	Years Farming Experience		Average Value Ag Assets (1)	Average Value Ag Real Estate (1)	Average Debt-to-Asset Ratio
					% Under 5 years	% Under 10 Years			
Negative	4,268	\$127.8	37	49.6%	17.9%	54.7%	\$ 323.6	\$ 271.8	1.253
\$0-\$24,999	25,498	28.5	37	50.3%	26.5%	50.3%	130.9	162.5	0.757
\$25,000-\$74,999	42,860	20.4	40	37.3%	12.3%	39.2%	84.1	65.3	0.522
\$75,000-\$99,999	20,699	26.4	44	23.7%	6.1%	24.4%	1,044.9	1,212.7	0.439
\$100,000-\$149,999	36,461	30.3	46	20.6%	6.2%	21.5%	192.4	126.2	0.429
\$150,000-\$249,999	48,206	41.4	48	13.7%	5.6%	16.5%	258.4	177.2	0.387
\$250,000-\$374,999	35,907	55.9	50	10.7%	5.4%	14.2%	813.7	724.1	0.356
\$375,000-\$499,999	20,625	67.0	52	7.7%	3.0%	10.9%	505.2	345.3	0.317
\$500,000-\$999,999	31,383	104.2	53	5.8%	2.8%	10.3%	792.7	544.8	0.308
\$1,000,000 and over	19,486	\$225.9	53	7.0%	5.8%	15.1%	\$2,170.2	\$1,542.8	0.312

* Figures do not include Springfield PCAs which did not report.

(1) Amounts in thousands of dollars.

Table 52
Selected Borrower Characteristics—Part 2
Production Credit Associations Loans Outstanding at Yearend 1985 *

Borrower Net Worth	% Under \$40,000 Ag Sales	Percent by Type of Organization					
		Proprietorships	Partnerships	Family Corporations	Close Non-Family Corporations	Public Corporations	Other
Negative	27.9%	73.9%	14.2%	8.8%	1.2%	0.0%	2.0%
\$0-\$24,999	80.9%	89.9%	3.4%	2.0%	0.7%	0.0%	4.0%
\$25,000-\$74,999	76.0%	93.1%	2.3%	1.1%	0.1%	0.0%	3.4%
\$75,000-\$99,999	64.3%	93.8%	1.2%	2.0%	0.0%	0.0%	2.9%
\$100,000-\$149,999	59.4%	92.6%	4.2%	1.5%	0.3%	0.0%	1.4%
\$150,000-\$249,999	47.1%	91.5%	4.8%	1.5%	0.3%	0.0%	1.7%
\$250,000-\$374,999	36.5%	90.5%	5.3%	3.0%	0.1%	0.2%	1.0%
\$375,000-\$499,999	28.1%	87.8%	3.6%	5.9%	0.3%	0.0%	2.5%
\$500,000-\$999,999	19.1%	80.5%	8.3%	8.5%	0.5%	0.1%	2.1%
\$1,000,000 and over	11.3%	68.3%	14.0%	15.0%	1.3%	0.2%	1.2%

* Figures do not include Springfield PCAs which did not report.

NOTE: Totals may not add due to rounding.

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